

## **INDEPENDENT EVALUATION OF THE SUBSIDISED TEMPORARY EMPLOYMENT PROGRAMME (STEP)**

### **Introduction**

1. These Terms of Reference (ToRs) set out the scope of work for design and implementation of an independent evaluation of the Subsidised Temporary Employment Programme (STEP) in Lebanon. The programme and its evaluation are funded by the UK Department for International Development (DFID) and will be delivered through two separate contracts. Procurement for STEP service provision is already underway and the independent evaluator (IE) is expected to be in place by programme inception in December 2017.
2. The overall budget for STEP implementation is approximately £7 million for a one-year pilot phase and an additional £8 million for a further 2 years of implementation, should the pilot prove successful. Up to £1m has been set aside for the STEP evaluation. Additional programme budget in the range of £5-£40million may become available from other development partners at a later stage. This would increase the budget envelope for the evaluation in line with costs for evaluating the programmes' impact on additional cohorts of firms and beneficiaries.
3. The IE will work closely with the programmes' Service Provider (SP) who will be testing the programme's concept and assumptions by implementing the three components of STEP. Component one and three will be implemented from the outset of the pilot and wage subsidies will be added during a second firm selection round. Throughout the programme's pilot phase and beyond, the SP and IE will generate lessons for programme adaptation and wider learning.

### **Objectives**

4. **Primary objectives of this work are to test job creation potential of the SME incentive scheme in Lebanon over time and to help determine the optimal content and design of the programme.**
5. **The overarching purpose of this evaluation is to generate learning for programme adaptation.** This will be achieved through an impact evaluation, a survey on quality of jobs created and to capture wider feedback, a qualitative survey of some of the new supply chain linkages which can be attributed to the STEP programme as well as a process evaluation. Activities will be conducted in collaboration with the SP and both IE and SP will facilitate a mechanism for lessons learning and programme adaptation to determine the optimal content and design of all programme components.
6. **The primary objectives can be further broken down into different components. The IE will be required to :**
  - a. **Measure jobs created and sustained at the outcome and impact level** (see draft logframe) **through an impact evaluation.** STEP aims to incentivise small and medium size enterprises (SMEs) to expand production and create new permanent jobs for predominantly low-skilled Lebanese workers as well as – in accordance with Lebanese legislation – temporary jobs for Syrian refugees.

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STEP is expected to achieve this through the provision of finance and employment incentives, as well as a flexible package of technical assistance to facilitate access to Business Development Services (BDS). In the second year, when both, matching grants and wage subsidies are operational, the evaluation will be able to measure the relative effectiveness of these different support packages to create jobs.

- b. **Capture quality of jobs and wider stakeholder feedback:** capturing changes in the employment situation and employment quality of programme beneficiaries, wider programme satisfaction as well as adherence to labour and employment standards. Another objective of this part of the evaluation is to capture some perceptions on the programme's impact on stability.
- c. Capture **some of STEP's wider supply chain impacts.** Qualitative analysis will be used to get a sense of the quality of some of the new supply chain linkages which stem from the matching grant. Particular focus will be given to indirect jobs created upstream of downstream along the value chain of firms participating in STEP.
- d. Carry out a **qualitative process evaluation** of the matching grant component and the savings account for Syrian workers towards the end of the pilot year. In later years the wage subsidies component will be added to a repetition of this third party monitoring of operational processes and efficiency. The focus of the pilot phase is **to test efficiency and effectiveness of service delivery** of the matching grant and of the savings account for Syrian workers. The purpose of this period is to determine the optimal content and design of these components, to inform if and how the programme should be scaled up.

### The recipient

- 7. Donor partners and the Government of Lebanon (GoL) are the main recipients of the evaluation results. On the working level the SP will be the prime partner and recipient, as both parties will advise how recommendations emanating from the evaluation and routine M&E will inform programme adaptation. Matching grants and wage incentives have not been tested as tools for job creation in Lebanon and temporary job creation for Syrians is yet to be promoted at scale. This is why the focus of the 12 months pilot is on learning. The SP and IE will test the programme's assumptions and job creation potential for the target population. Lessons from the pilot will inform whether and how the programme is to be continued. GoL is looking to find a mechanism which generates firm growth and sustained jobs in the Lebanese SME sector which makes up over 90% of firms in the private sector. The international community is interested to test the effectiveness of this approach in Lebanon and to learn lessons for countries exposed to similar increases in labour supply.

### The Scope of Works, evaluation criteria and draft evaluation questions

- 8. The STEP theory of change (see annex 1) assumes that the provision of capital and wage subsidies to targeted SMEs will enable these firms to expand output and take on new workers, and that low-skilled Lebanese and Syrian refugees will

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benefit from these new jobs. To that end the SP will be expected to deliver the following functions:

- (i) **Provision of matching grants to eligible SMEs:** eligible SMEs will be offered matching grants through a 'Competitive Investment Fund for Jobs' to invest in activities which enable them to expand output and create jobs. Allocations would be based on eligibility and performance criteria which will be proposed by the programme's Steering committee at contract award. These will then be refined and adopted during the inception phase of the pilot. The Fund would finance part of the costs of a given eligible investment under the condition that the grant recipient generates a certain number of jobs within the timeframe of the pilot. Eligible expenditures will include business development services (see below) and possibly also equipment or infrastructure to improve practices, technology, or processes for products to reach new markets.
  - (ii) **Facilitation and/or referral to existing business development services (BDS) to support SMEs, if necessary:** engaging with SMEs to encourage the uptake of new practices and facilitate market linkages. STEP will facilitate access to the existing market for Business Development Services in order to create market linkages and to bring best private sector management and technical practices and expertise to participating firms. Specialist management consultants may be used for in depth business needs diagnosis and mentoring during a process enhancement period covered by the matching grant. Duplication of existing support mechanisms should be avoided as STEP seeks to foster market demand for existing business service providers.
  - (iii) **Establishing a central platform for jobseekers to register** in order to gather data on potential beneficiaries and facilitate matching of candidates to jobs. This is optional information firms may want to draw on in case suitable candidates cannot be sourced through exiting channels. This will be worked up in close collaboration with the independent evaluator who may use this information for the programme's impact evaluation.
  - (iv) **Provision of wage subsidies to eligible SMEs:** This will be added after the pilot year to measure the job creation impact of additional employment incentives.. These incentives will take the form of a payroll subsidy to lower the cost to firms of employing new staff (e.g. reimbursement of the social security contribution or another form of wage subsidy).
  - (v) **Creation of savings accounts for Syrian workers, accessible on leaving Lebanon:** a small salary top up (e.g. the equivalent of social security contributions at minimum wage) paid by donors directly into a 'savings fund' that Syrian workers can access on their return to Syria or their resettlement to a third country. This component gives the GoL assurance that jobs for Syrians are temporary and provides Syrians with savings that could be used as a safety net on leaving Lebanon.
9. The SP will deliver these functions in line with STEP principles (see annex 3) through three programme components. Component 1 (encompassing i, ii, iii and iv). Component 2 will provide short/medium term wage subsidies to eligible SMEs and will be added to the treatment package after the pilot year. Component 3 relates to savings accounts for Syrian workers.
10. Bidders for the independent evaluation will need to outline their evaluation framework and approach for (a) delivering the programme's experimental impact evaluation measuring jobs created and sustained at the outcome and impact level, (a) capturing quality of created jobs and wider stakeholder feedback, (c) capturing some qualitative lessons on the programmes' supply chain impact, (d) a qualitative process evaluation of service delivery as well as a proposal of how and when the different evaluation components and particular data and M&E

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findings will be used to inform programme adaptation. Latter will be refined in collaboration with the SP during programme inception. Throughout these 5 evaluation components bidders will have to detail the nature of collaboration with the SP, clarifying roles and responsibilities and crucial points in time for data sharing.

11. Risks and potential challenges of the evaluation and its individual components should be clearly articulated and mitigation strategies should be identified where possible.
12. Bidders will have to put forward a strong proposal of how evaluation findings will be shared whilst protecting personal and sensitive business data from all evaluation components in line with UK data protection standards.
13. In line with Paris Declaration principles, it is expected that the SP and IE should take account of national M&E systems, draw on existing data where available, and ensure new data collection is complementary to existing systems. High level beneficiary and firm level data can only be shared if it can be sufficiently anonymized.
14. Bidders should demonstrate a thorough understanding of the local context and political economy sensitivities which will have a bearing on feasible data collection methods. Proposed approaches will have to be suitable for particularities of the local context and should enable data collection at the firm and beneficiary level across all regions of Lebanon.
15. The overarching criterion for the evaluation is adaptation and the main evaluation question is how to use data and findings from the individual evaluation components to inform programme adaptation working towards optimal instrument design. This should also be reflected in an outline of the evaluation dissemination strategy.
16. The IE will be requested to provide evidence of the degree to which the identified pathways of change have been effective and efficient in creating decent employment for the target population and how programme effectiveness can be approved. This information will be gathered through the 4 evaluation components outlined below.

### **The impact evaluation**

17. The IE will devise and implement a randomised control trial (RCT) design to measure a change in the hiring behaviour of firms in response to the programme's matching grant component. The impact evaluation should be designed to measure the immediate and sustained job creation effect of the matching grant. After the pilot, the impact evaluation design may have to be adapted to capture the differential effect on employment creation of subsidising labour as well as capital during a second firm selection round. This will be contingent on the availability of additional budget.
18. The SP will be responsible for collecting firm level data during the firm screening process and will continue to collect all required firm level data from the treatment group throughout pilot and full programme implementation (see programme draft logframe and ToRs for service provision). During programme inception the IE will feed into the programme's monitoring and evaluation system, adding the data that will be collected through additional surveys and agreeing definition of main indicators. SP and IE will also agree data collection and verification

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methodologies as well as collection frequencies. The IE needs to be sure that the SP collects all firm level data that will be required for RCT design and implementation. This will include data on jobs created and maintained from firms in the treatment group. This data will be shared readily with the IE who is expected to validate the data during baseline activities and periodic follow ups. After initial firm screening by the SP, it will be the responsibility of the IE to collect the necessary periodic data from firms in the control group.

19. The evaluation framework for this component will include but not be limited to;

- a. **Options for possible RCT designs.** Pros and cons as well as risks of different approaches (e.g. randomization over all eligible applicants or the most highly ranked ones versus award of MGs to most compelling firms and randomising over the rest) should be outlined. Bidders should put forward their preferred design and implementation approach while flagging links to wider programme design questions and the outcome of the SME selection process. Bidders should outline additional steps required to finalising the RCT design. This may include an outlook of how the dataset of pre-screened and selected SMEs may further refine RCT design.
- b. **A careful discussion of power calculations which detail all assumptions.** This will determine the required minimum sample size of firms that meet the programme's selection criteria. At the proposal stage power calculations should be based on relevant parameters from the literature and applied to grants ranging between \$7.5k and \$20k for a 1:1 match. During programme inception these calculation will be updated on the basis of findings from the latest business survey and parameters from the final SME selection criteria. Conservative attrition rates should be assumed throughout. These power calculations will give the SP a strong steer for the required degree of programme oversubscription. Sample size of firms that meet the programme's eligibility criteria needs to be sufficiently large to facilitate a meaningful experimental evaluation design.
- c. **A proposal of how to implement this RCT successfully in the Lebanese context.** This will include approach and scope for collecting the required firm level information. This should be linked to a discussion of how to sample (e.g. recommended variables for stratification) with pointers to related programme selection criteria and targeted outreach work (e.g. regional balance). Bidders should also advise how to float the concept of randomization among interested firms and how to deal with the control group.
- d. **Advice on approach and methodology for tracking additional employment in treatment and control groups over time at the firm level;**
- e. **An approach and indication of scale and scope for collecting, validating and analysing data.** In addition to the division of labour between SP and IE outlined in paragraph 15, the IE will also be charged with verifying a sample of the wider logframe data collected by the SP during yearly evaluation follow ups. SP and IE will have to agree periodic collection and sharing timelines for data on jobs created and maintained. The SP will have to provide the IE with the most up to date jobs data for the treatment group ahead of the yearly evaluation follow ups. During the bidding stage applicants should give an overview of the approach, workload and timelines for additional data collection, validation and analysis with a focus on scale, scope, and methods.

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20. Evaluation criteria for this evaluation component will be focused on impact, effectiveness and sustainability of the matching grant instrument. Draft evaluation questions to be considered:

Category	Type of questions to consider
<i>Impact/ Sustainability/ Effectiveness</i>	<ul style="list-style-type: none"><li>• How many direct jobs have been created as a result of the programme and how many new positions are sustained? Once wage subsidies are added the question will be altered to capture relative effectiveness of different packages of support.</li><li>• What type of jobs have been created and for who? How have benefits been distributed amongst different groups (data disaggregation into max number of identifiers) or sectors?</li><li>• What is the unit cost of job creation in Lebanon?</li></ul>

### **Assessment of quality of created jobs and capturing of wider stakeholder feedback**

21. The IE will also devise an evaluation framework and survey instrument for gathering and analysing data from beneficiaries and wider stakeholders within firms (e.g. other workers) and at the community level. This qualitative part of the evaluation will capture perceptions and views on quality of created jobs/adherence to labour standards, changes in wellbeing, programme consequences on refugee protection, stability and tensions, intended and unintended programme impacts, and general feedback on individual programme components. The evaluation criterion for this component of the evaluation is impact in a more qualitative and wider sense. Suggested high level draft evaluation questions include:

Category	Type of questions to consider
<i>Impact on stakeholders</i>	<ul style="list-style-type: none"><li>• What are stakeholder (including beneficiaries) feedback and perceptions on programme outputs, outcomes, mechanics and wider programme impact?</li></ul>

### **Capturing of STEP's wider market impact**

22. The IE will propose and implement an approach and methodology for capturing some of STEP's wider value chain impacts. The intention is to qualitatively survey performance of a sample of downstream and upstream partners of firms that benefit from STEP. The sample may be selected on the basis of contract size or significance of the new market linkage. The aim of this qualitative survey is to capture some examples and stories of the supply chain impacts of STEP. The survey questions should also gather some information on employment growth along the supply chain. This may give some indication of indirect jobs created through STEP.

23. This part of the evaluation will also evaluate how the programme is interacting with existing SME support and stimulus packages.

24. Draft evaluation questions to be considered:

Category	Type of questions to consider
<i>Market impact</i>	<ul style="list-style-type: none"><li>• What are characteristics (including quality) of some newly established supply chain linkages of STEP firms? What are some of the programmes effects on indirect job creation downstream or upstream?</li><li>• Does the matching grant distort the market? Does the matching grant</li></ul>

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	incentivise enhanced financial inclusion and good financial management with impacts on creditworthiness?
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### Qualitative process evaluation

25. This part of the evaluation will focus on third party monitoring of efficiency in service delivery of component one and three. In later years the wage subsidies component will be added to a repetition of this part of the evaluation. Bidders should propose an evaluation framework which helps to determine optimal design of the different programme components.

26. Draft evaluation criteria and questions which may want to be considered include:

Category	Type of questions to consider
<i>Operational efficiency and effectiveness</i>	<ul style="list-style-type: none"><li>• What are the major factors influencing the achievement or non-achievement of outputs and outcomes?</li><li>• How effective is the programme in incentivising adherence to labour and protection safeguards?</li><li>• How efficient is the programme's governance structure? How has the governance structure of the programme contributed or influenced its achievements/non-achievements?</li><li>• How should operational processes, firm selection criteria and financial incentive be adjusted to better target the intended programme impact?</li></ul>

27. The evaluation budget envelope should be broken down into estimated costs for the different evaluation components. For the impact evaluation costs should be further disaggregated into costs for setting up data collection and management tools and the costs for carrying out baseline, two follow up evaluations and a final evaluation. Bidders should plan on the assumption that the programme's main management information system will be put in place and fed by the SP with firm level performance information of the treatment group. The IE will be granted full access to this information. The proposal should clearly set out the management and administration costs versus costs for fieldwork and what it comprises within the commercial pro-formas.

### Method

28. Impact evaluation, beneficiary and stakeholder surveys, the assessment of wider and qualitative programme impacts as well as the process evaluation will use a range of evaluation methods. Experimental research methods are envisaged for the impact evaluation of the programme. Elements of tracer surveys should be explored for the survey of beneficiaries in treatment and control groups. The IE is expected to draw on qualitative research methods for the other evaluation components. In addition bidders are invited to propose an approach for recording learning for programme adaptation. The IE will be expected to develop detailed methodologies at the start of the programme inception building on the evaluation approach set out in the bid.

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29. The IE is expected to draw attention to pros and cons of different approaches and the areas which will require close collaboration and fine tuning with the SP during the inception phase.
30. Data collection across all evolution components will have to enable data disaggregation into all possible identifiers. This will be particularly important for learning and programme adaptation. The evaluation will follow Development Assistance Committee (DAC) Principles for Evaluation of Development Assistance.

### Requirements/outputs/deliverables

31. This section details the envisioned evaluation requirements and deliverables in line with the pilot and scale-up phase. The IE is expected to deliver the impact evaluation on the first cohort of firms that will be selected at the start of the pilot phase. Follow up evaluations on this cohort will be carried out after the baseline, by Mid-2019 and Mid-2020. The three additional evaluation components are to be carried out at the end of the pilot year. If additional evaluation budget becomes available the evaluation may be expanded to cover impact assessments on the second and third cohorts of firms which will be selected at the beginning of the first and second year of full implementation respectively.

#### **Pilot inception: January to April 2018**

32. DFID requires the following specific outputs to be delivered by the IE during the inception period:
- a. Final evaluation framework and evaluation approach paper capturing the different evaluation components
  - b. Operationalization of evaluation framework through additions to the operational manual
  - c. Input into the programme's M&E framework and system, helping to develop monitoring methodologies, testing of the programme's management information system and finalisation of any additional data gathering tools;
  - d. Preparation of a work plan (detailed for year one and indicative for the remaining years), including details of data verification and gathering activities and timelines during evaluation baseline, two yearly follow ups and a final evaluation.. This will also include man-days, budget and quarterly financial forecast;
33. A draft **Operational Manual** is currently being developed and will be available by end December 2017. This will propose principles and parameters for delivering the three components, based on data and evidence collected over the next few months. The SP will be required to take ownership of the manual, adding to and refining the draft in order to provide the detail to operationalise the approach. A final version will be agreed with the Steering Committee at the end of the inception phase. The final OM will include:
- Criteria and process for SME selection including grant application support and due diligence;
  - Mechanism for delivering the matching grant, wage subsidies and the savings account



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- Proposed approach to facilitating access to Business Development Services (framework matching to external providers, nature of services offered and under what conditions etc.)
  - Reporting requirements of SMEs at different stages of the programme;
  - Approach to collecting and validating data from SMEs;
  - Approach to setting up a feedback mechanism for beneficiaries and wider stakeholders (from the firm level and beyond);
  - Approach for how data will be used for programme adaptation
  - The approach to portfolio management at the programme level;
  - The identification, monitoring and mitigation of risks, including triggers or measures of risks;
  - The process for consultation, engagement and collaboration with DFID and the Steering Committee throughout the programme
  - Roles and responsibilities of SP and IE;
34. The IE will be required to finalise the evaluation framework one month after the submission of the SP inception report. The evaluation framework will build on the proposed evaluation questions and cover the scope outlined above. Clear assessment criteria and a solid methodology for collecting and analysing data will be paramount. Tools and evaluation instruments will be included as annexes. The IE is requested to highlight operational consequences of the evaluation framework and will amend the operational manual accordingly.
35. Roles and responsibilities of SP and IE will be clarified further in the operational manual and the IE will input into the wider knowledge management strategy. The M&E strategy will also make clear how data gathered by the IE will complement continuous data collected on behalf of the SP. IE will outline how data will be used to decide how to adapt the programme and how the effect of proposed changes will be captured and measured. The draft logframe will also be revised jointly with the SP, including making recommendations on changes to logframe outcomes and indicators. This will include populating baselines and advising on evidenced based milestones and targets, and developing an approach for related risk management.
36. Linked to the evaluation framework the IE will produce an annual work plan (detailed for year one and indicative for the remaining years) covering baseline evaluation activities, two yearly follow ups and a final evaluation in 2020. It will also detail collaboration with the SP. The work plan. This will include man-days, detailed timelines, a budget breakdown in line with evaluation components and core activities and financial forecasts.

### **Pilot**

37. Outputs delivered during the pilot phase include the baseline evaluation as well as end of pilot follow up. In addition evaluations capturing beneficiary, stakeholder and market feedback as well as a process evaluation will be carried out. One year evaluation outcomes will be recorded in an end of pilot evaluation report which will major on lessons learned. These will determine programme continuation and recommended changes for the design phase. The IE will add learning and recommendations for programme adaptation to the SP's quarterly progress reports. By the end of the pilot phase it will be agreed if and how the evaluation will be expanded to capture a new firm selection round.

### **Implementation**

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38. A second wave to the impact evaluation is scheduled for mid-2019 and a third wave will be conducted by mid-2020.

### Dependencies

39. The successful SP is expected to be in place by December 2017. While safeguarding independence the IE and SP will have to work collaboratively. Throughout programme inception the monitoring and evaluation system has to be finalised and agreed. Operationalization of the matching grant component will have to facilitate the IE's experimental impact design. Latter has to be fine-tuned on the basis of actual programme uptake. Data consistency and sharing is paramount and both SP and IE will advise on programme adaptation.
40. The different evaluation components require different skill sets and leads for the respective evaluation components should be sourced accordingly. For the impact evaluation, experience of leading experimental research on job creation as a result of firm incentive schemes is essential. An academic with relevant experience may be particularly well placed to lead this component. The other evaluation components require distinct specialist research skills and experience. The successful IE will also support its proposal with a strong shortlist of local partners with a proven track record of collecting data across all of Lebanon. In addition the IE will need to field a core team with extensive knowledge and experience in the following areas:
- a. Impact evaluation of job creation programmes
  - b. Impact evaluations of matching grant programmes
  - c. Experience in collecting data and gathering beneficiary feedback in politically difficult and fragile and conflict affected countries
  - d. Implementation of large scale quantitative and qualitative programme evaluations
  - e. Adaptive programming
  - f. M&E of labour standards and refugee protection issues

### Reporting

- 41. Quality assurance and governance arrangements:** Evaluation outputs will be quality assured by an evaluation reference group comprised of a representative from the research and evidence department of DFID, DFID's regional evaluation adviser, the World Bank's jobs practice and an independent academic (TBC). After this feedback loop final evaluation outputs will be presented to the programme's steering committee and the cross- ministry advisory group.
- 42. Timeframe for the core deliverables summarised in table 2.** Key evaluation outputs should include the following content:
- a. Executive Summary of 1-4 pages highlighting the main findings, conclusions, recommendations and any overall lessons
  - b. Introduction - including relevant policy, programme and institutional developments and context and their influence on the impacts and outcomes;

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- c. Methodological section detailing the evaluation design, methods and analysis. This section should also highlight any constraints and how these were overcome
- d. Findings, conclusions and lessons learned;
- e. Recommendations and details of how to adapt the programme and for similar programmes;
- f. Dissemination plan
- g. Appendices - including TORs, timetable, work plan, people met, sources used, detailed analysis;

<b>Deliverable</b>
<b>INCEPTION PHASE (January 2018 – April 2018)</b>
Final evaluation framework (including data gathering tools and methods)- one month into inception phase
Input into the operational manual
Input into the programmes Monitoring and Evaluation System
Work plan for the pilot phase and draft work plan for implementation
<b>PILOT PHASE (May 2018 – July 2019)</b>
Baseline evaluation implemented
<b>By end of July 2019</b>
End of pilot follow up implemented
Stakeholder, market and process evaluation implemented
Report on findings and recommendations produced (also incorporating inputs from SP)
<b>IMPLEMENTATION PHASE (August 2019 – September 2020)</b>
Second year follow up evaluation
Final evaluation carried out

**43. Coordination of field visits, interviews, data gathering etc:** The IE will outline their approach for subcontracting enumerators and will be responsible for arranging their own logistics, including meetings, transport and accommodation. All relevant expenses will be covered by the contract budget. The SP will facilitate contact with participating firms, beneficiaries and stakeholders including, national coordinators and partners.

**44. Communication of findings:** After a feedback loop with the evaluation reference group evaluation outputs will be presented to the Programme's Steering Committee and Inter-Ministerial Advisory Committee. The Steering Committee is comprised of DFID (and potentially other donors contributing to the programme or interested in doing so), technical-level staff at the relevant ministries, UNDP (as the lead agency on the 'livelihoods' sector of the Lebanon Crisis Response Plan (LCRP), relevant members of the private sector, a civil society rep as well as a rep representing the target worker community. The Inter- Ministerial Advisory Committee is a forum for key ministries to engage with the programme on a six-monthly basis to ensure effective policy and programmatic coordination. Meetings will update ministries on progress made and provide a forum to escalate issues that need ministerial oversight. We envisage the participation of the following ministries: Ministry of Economy and Trade, Ministry of Labour, Ministry of Foreign Affairs, Ministry of Social Affairs, Ministry of Industry and the Prime Minister's Office. The reports will also be published on DFID's devTrecker site.

DFID/OGD will have unlimited access to the material produced by the supplier (as expressed in DFID's general conditions of contract). In addition to the

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discussion of findings within the programmes governance structure the IE will also be expected to implement a broad and inclusive dissemination strategy.

### **Duty of care**

45. Suppliers must set out in their bid documentation, how they will respond to Duty of Care and Security requirements. The British Embassy in Lebanon has assessed country and project risks against various risk factors in Annex 3.
46. The IE is responsible for the safety and well-being of their Personnel (as defined in Section 2 of the Contract) and Third Parties affected by their activities under the contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
47. DFID will share available information with the IE on security status and developments in-country where appropriate.
48. The IE is responsible for ensuring appropriate safety and security briefings for all of their Personnel working under this contract. Travel advice is available on the FCO website and the IE must ensure they (and their Personnel) are up to date with the latest position.
49. Tenderers must develop their response to the 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. They must confirm in their Tender 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;
  - They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.
50. If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your bid will be viewed as non-compliant and excluded from further evaluation.
51. 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.

### **Management, Delivery Mechanism and Budget**

52. DFID will be the lead donor and will be the direct counterpart to the IE. The DFID Lebanon Economic Advisor is the Senior Responsible Owner (SRO) for the programme and will also be the first point of contact for the IE on behalf of the evaluation reference group and the programme's the Steering Committee. The DFID Programme Manager will monitor financial management, corporate compliance and reporting aspects of the evaluation.

### **Delivery Mechanism**

53. DFID is interested in exploring payment by deliverables. The supplier should explain how they will structure a payment schedule which allows for the most

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efficient delivery mechanism, that allows for the timely delivery of quality evaluation outputs. The supplier should provide a clear financial plan, transparently costing inputs which can be clearly linked to delivery of specified evaluation outputs for the Inception, Pilot and Implementation phase. DFID will accept indicative milestones for the Pilot and Implementation Phase which will be finalised and agreed with DFID during Inception.

54. DFID will agree Key Performance Indicators (KPIs) with the IE which are likely to include: Quality of delivery, management, financial, personnel, and innovation indicators. The IE should propose a suite of KPIs for the implementation period, to be agreed by the end of inception. These KPI's will be linked to a percentage of the fees payable under this contract. The percentage will be agreed by the end of the inception.

### Budget

55. The budget to deliver this programme is up to a maximum of £1m. Suppliers should outline and justify their proposed budget with a breakdown across evaluation components, with an emphasis on demonstrating excellent Value for Money.
56. Proposals should be in British Pound Sterling (GBP) and the successful supplier will be required to report and receive payment in GBP.

## Contractual Period, Break Points and Programme Scope

### Timing

57. STEP is expected to operate from January 2018 – September 2020. The indicative total value of the contract for programme implementation is up to £14.5 million, with the bulk of this to be spent on matching grants. Indicative estimates for the proportion of the total budget to be spent on different components during the pilot phase are shown in table 3.

*Tentative Value of STEP Components during the pilot phase*

Component	Approximate %
Component 1: Matching grants	85%
Component 3: Refugee savings	15%

58. The contract for the IE will be for a period of 36 months, with the possibility of up to a 18 month extension to the contract to align with any extension to STEP. This will be dependent on VfM, need and demonstration of supplier performance to date. The IE contract will be made up of three separate phases:

- **Pilot Inception phase (January 2018 – April 2018).** During this 3 month phase, the IE will be expected to make any final revisions to evaluation framework and its operationalization. They will also be required to input into the overarching M&E system and to draw up the work plan.
- **Pilot phase (May 2018 – July 2019).** After firms have been selected by the SP, the IE will randomly select eligible firms into treatment and control groups. IE will validate the baseline data. A second data gathering round will follow at the end of the pilot. This will cover all evaluation components. By the end of the pilot phase

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it will be agreed if and how the evaluation will be expanded to capture a new firm selection round.

- **Implementation phase (August 2019 – September 2020).** The second wave will be carried out in mid-2019 and the final wave in mid-2020.

### Break Points

59. There are three breakpoints in the contract for programme service delivery which could, depending on decisions taken at these points, also translate into a termination of the evaluation contract. Breakpoints for the IE Service Provider are at the end of the pilot's Inception phase, at the end of the Pilot Phase and also one year into the Implementation phase, to allow an on-going assessment of the successful operation of STEP and progress against objectives.

### Scaling Programme Up/Down

60. Additional evaluation budget may become available which would allow to increase the scale of the evaluation (e.g. by evaluation a second cohort of firms). The IE is required to commit to being fully prepared to increase the scope of the evaluation by adding a second or third cohort of firms to the impact evaluation should the funds become available. Furthermore, DFID reserves the right to scale back or discontinue the STEP programme at any point.

## Background

61. Since the outbreak of the conflict in Syria, Lebanon has been under substantial strain to deal with the economic, social and humanitarian consequences of the conflict. The crisis has led to an unprecedented mass influx of displaced Syrian nationals into the Lebanese territory, making Lebanon the largest host nation in terms of refugees per capita in the world.

62. The rate of private sector job creation in Lebanon is insufficient to keep up with the growth in labour supply from Lebanese workers and Syrian refugees. Job creation has consistently lagged behind growth in labour supply which has been exacerbated by the arrival of 1.3m refugees since 2011. The World Bank estimates that leaving the refugee influx aside the economy would need to create more than six times the number of jobs which it has been creating between 2004 and 2007 to absorb the new Lebanese labour market entrants.<sup>1</sup> The unprecedented influx of displaced Syrian nationals into Lebanon over the past five years has added to the challenge, particularly in low skilled sectors where Syrian workers tend to be focused.<sup>2</sup> Recent reports emphasise that the main constraints to Lebanon's jobs problem lie on the demand side which is characterised by:

- Shortcomings in the general investment and trade climate
- Product and factor market constraints including access to infrastructure, finance and markets;

63. In order to alleviate the impact of the refugee influx on the economy and the labour market the Government of Lebanon presented the proposal of a

<sup>1</sup> 2009 labour force survey, CRI projections and work behind the Bank's 2016 CPF

<sup>2</sup> Syrian refugees in Lebanon are predominantly young and unskilled. UNHCR and World Bank (2016) estimate that the Syrian refugee population in Lebanon has similar or slightly lower education levels compared to the Syrian pre-crisis population which was characterized by 13% secondary school attainment.

## Section 4 Appendix A – Annex A Terms of Reference

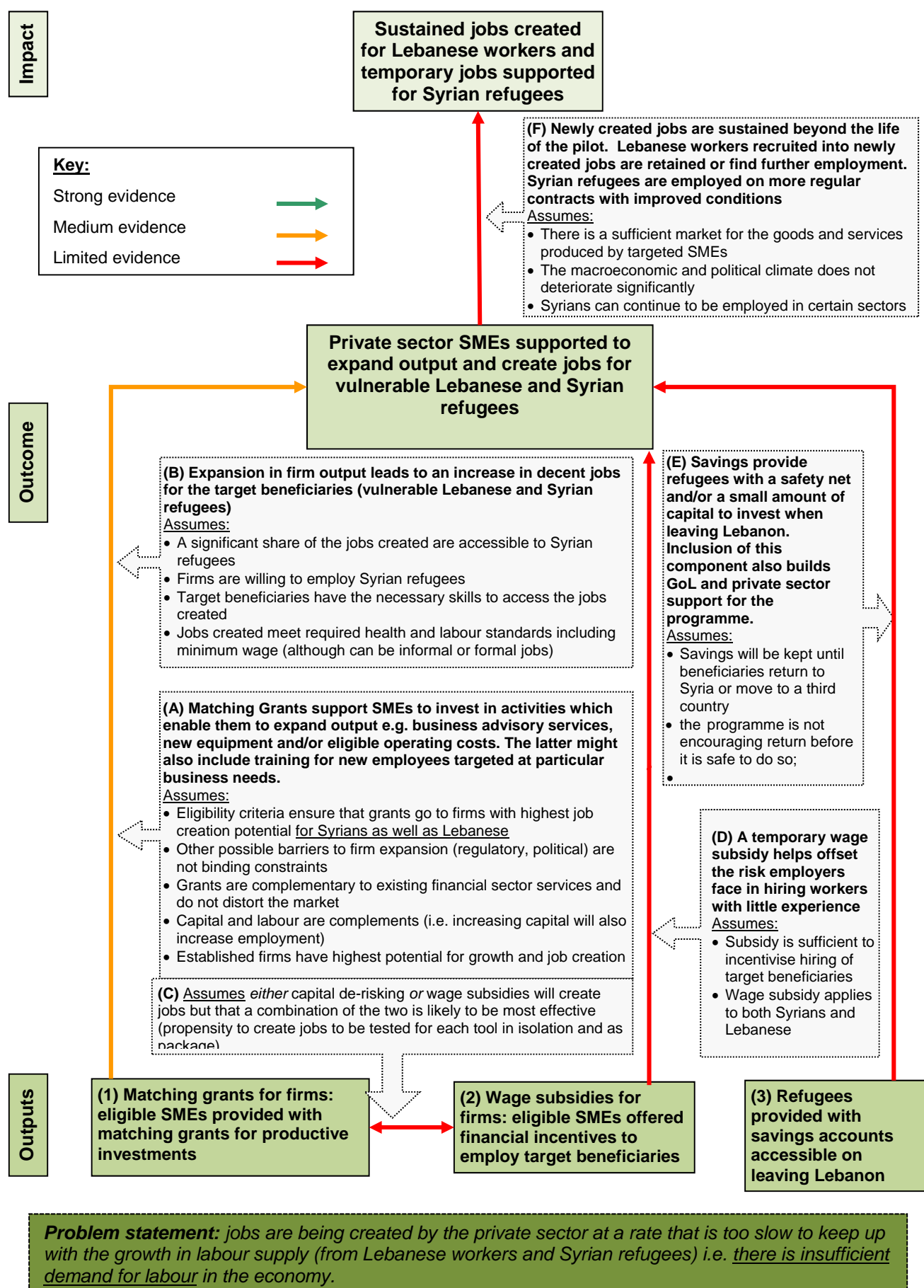
Subsidised Temporary Employment Programme (STEP) at the ‘Supporting Syria and the Region’ conference in London in February 2016. The concept is to provide finance and possibly additional employment incentives that will encourage SMEs to expand production and create new permanent jobs for Lebanese workers as well as temporary jobs for Syrians within what is permitted under Lebanese laws and regulations. During subsequent scoping work it was agreed to conduct an initial pilot to test the market and to measure direct and indirect job effects. If successful the programme will be scaled up in Lebanon and has the potential to be replicated to solve similar labour market challenges around the globe.

64. The UK government has signalled its readiness to provide seed financing for the pilot, and further funding for full implementation, if the results from the pilot phase are satisfactory. The rationale for the UK’s involvement is to support the GoL in its efforts to:
- Pilot a balanced job creation programme which directly targets both Lebanese and Syrian refugees.
  - Test whether matching grants to SMEs for capital investments and business development services lead to expanded output and employment in the Lebanese context.
  - Test whether additional wage incentives are required on top of capital incentives to create sufficient new formal jobs for Lebanese and temporary jobs for Syrians.
65. The potential demonstration effect of this pilot is immense. It is the first Government-led attempt at boosting the economy through the involvement of both Lebanese and Syrian labour and in doing so, turning the large labour supply shock into an economic dividend. Large scale tests of how to relax some of the most binding constraints to firm level growth and employment creation are yet to be tested in the Lebanese context and the current political space presents a unique opportunity.
66. Given the research points towards the demand for labour being the key challenge in Lebanon, the programme is targeted towards testing the feasibility of demand-side incentives for job creation in the Lebanese context. Whilst interventions on the supply side (training, job matching etc.) could potentially be complementary, they do not tackle the primary constraint. Furthermore, other interventions (e.g. NEW, the Danish Refugee Council’s LEADERS programme and the livelihoods programme of the IRC) are currently piloting approaches to address quality and mismatches in labour supply and evidence being gathered through these programmes could inform the post-pilot phase of STEP.

<b>Existing information</b>
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67. Full background to the assignment can be found in the [Business Case](#)
68. Terms of Reference for Service provider
69. Draft Logframe

## Annex 1: Theory of Change





## Annex 2: STEP Logframe

See Devtracker: <https://devtracker.dfid.gov.uk/> (separate attachment for now)

## Annex 3: Principles Underpinning STEP

Principle	Description
<b>Benefits primarily accrue to low-skilled Lebanese and Syrian refugees</b>	The focus of the programme is job creation, predominantly for poor workers, although recognising that a mixture of low-skilled and some medium-skilled employment is likely to be needed, depending on the SME circumstances; we would expect recipients of jobs created through this programme to be a balance between Lebanese workers and Syrian refugees. This is likely to require working in the three sectors in which Syrians are eligible to work <sup>3</sup> , but also looking for opportunities outside these three sectors in order to reach significant numbers of Lebanese workers and find companies with the largest propensity to grow. The pilot phase will monitor other characteristics of beneficiaries (e.g. age, gender, disability) and targeting may be explored for the implementation phase to ensure equitable distribution of benefits.
<b>Additionality</b>	STEP will enable SMEs to invest where and/or in ways that they would not have been able to in the absence of the programme.
<b>Scale</b>	The pilot phase of STEP will test an approach that can subsequently be scaled-up.
<b>Non-distortionary</b>	STEP will support a package of interventions that aim to address constraints to SME growth and employment creation with minimal market disruptions and distortions.
<b>Aligned with Government of Lebanon priorities</b>	STEP is a GoL-led initiative and the SP will need to engage closely with key government counterparts to ensure their continuing support and ownership.
<b>Ensure minimum safeguards are in place</b>	STEP must be compliant with UK counter terrorism legislation and must ensure that the firms it is working with employ adequate safeguards with respect to labour standards (salary, working hours etc.), protection of refugees, environmental protection and financial management. The SP and the evaluation contractor will be expected to propose a sustainable system for identifying and tracking workers, whilst protecting personal data.
<b>Sustainability</b>	STEP will take a sustainable approach by supporting SME activities and investments that are durable and resilient to challenges, and also responsive to changes in the environment and market.

## Annex 3: Duty of Care – Country Risk Assessment

Summary Risk Assessment Matrix

Project/intervention title: Subsidised Temporary Employment Programme

Location: Lebanon

Date of assessment: 17/01/17

<sup>3</sup> Agriculture, construction and environmental services

## Section 4 Appendix A – Annex A Terms of Reference

Assessing official:

Theme	DFID Risk score	
Country/Region	Lebanon (excluding red and amber zones)*	Lebanon (including red and amber zones)
<b>OVERALL RATING<sup>4</sup></b>	<b>3</b>	<b>4</b>
FCO travel advice	3	4
Host nation travel advice	n/a	n/a
Transportation	3	3
Security	3	4
Civil unrest	2	2
Violence/crime	3	4
Terrorism	4	5
War	2	2
Hurricane	1	1
Earthquake	3	3
Flood	1	1
Medical Services	2	2
<b>Nature of Project</b>	<b>1</b>	<b>1</b>

\* see latest details on UK Foreign Office Travel Advice

<https://www.gov.uk/foreign-travel-advice>

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

<sup>4</sup> The Overall Risk rating is calculated using the MODE function which determines the most frequently occurring value.