

**Terms of Reference (TOR)**  
**Jordan Innovative Startups and SMEs Fund (ISSF**  
**Company) Manager**

**I. ASSIGNMENT BACKGROUND**

1. The Innovative Startups Fund Company (ISSF Company) was established in December 2017 as a private shareholding company. The company aims at increasing early-stage equity finance for innovative small and medium size enterprises (SMEs) in Jordan. The Company puts into practice the first recommendation of the Jordanian Economic Policy Council to set up a fund to facilitate financing to innovative startups and SMEs to increase the level of startups with high-growth potential.
2. US\$50 million investment from the World Bank (WB) and US\$48 million in co-financing from the Central bank of Jordan (CBJ), has brought the total working capital of the ISSF to US\$98 million.
3. High-growth startups and SMEs are often the engines of job creation and economic growth. Startups in Jordan generate the most net new jobs: 40 percent of aggregate net job creation was due to young startup firms between 2006 and 2011. These young companies usually seek equity investment from angel investors and venture capital (VC) funds. However, this type of financing is in very short supply in Jordan. This leaves many startups and SMEs to perish just as they reach a key stage towards higher growth and viability. A strong, dynamic VC industry can help increase the creation of startups and new jobs. Evidence shows that an increase in the supply of local venture capital positively affects: (i) the number of firm startups (ii) employment and (iii) aggregate income.
4. The fund has been set by a board that includes 6 expert members from the private sector and chaired by the Director General of the Jordan Loan Guarantee Corporation that assumes the role of project implementing entity.
5. The ISSF board and current management have demonstrated the ability to enable successful ventures. This in return, is expected to attract more private investors to invest in the Jordanian ecosystem. This leads to a better quality and quantity of investible startups, and a sustainable ecosystem over time. The company also seeks to correct a coordination failure in the market that has impeded the development of a VC industry in Jordan. Based on global models, this is achieved through a temporary government injection of capital through a risk sharing facility with private investors until the industry is fully developed and self-sustaining

## II. PROJECT DESCRIPTION

6. **The Project Development Objective of the ISSF Project is to increase early-stage equity finance for innovative small and medium enterprises (“SMES”).**
7. The project makes investments in innovative startups and early-stage SMEs leveraging private sector funds through the private sector managed by ISSF. The ISSF also supports the entrepreneurship ecosystem to generate a viable deal flow of startups. The Jordan Loan Guarantee Corporation (JLGC) is responsible for legally setting up the ISSF Company and hiring manager who will manage the ISSF activities and report to the JLGC. The JLGC is a private corporation under the supervision of the Companies Comptroller who oversees all private companies.
8. Project funds will be distributed in three areas: (a) financing to innovative startups and SMEs including incentives to partner investors through investment support, (b) support to ecosystem providers to help create the deal flow of viable enterprises; and (c) project management. However, it should be noted that allocations are flexible to accommodate changes in market demand and costs. The ISSF manager may propose changes to the budget based on the appropriate needs. Should the amount under one activity not be completely deployed, the remaining balance may be re-allocated to another activity.
9. The components of the ISSF Project include the following:

### **Component 1: Equity/Quasi Equity Financing Program (US\$44.75 million Bank loan/total ISSF Budget US\$53.5 million)**

- Under this activity, the ISSF should invest US\$50 million in approximately 200 companies plus US\$3.5 million provided as investment support to partner investors. These figures are estimates and may change depending on market demand. Investments in startups are balanced between the three high risk enterprise stages roughly categorized as: Seed (Investment Ticket Size (ITS) below US\$280,000); early stage (ITS US\$280,000 – US\$750,000); and VC (ITS US\$750,000 - US\$3 million). Investments in SMEs may be in the form of equity or quasi equity instruments such as convertible notes and other forms of concessional debt that partner investors or intermediaries judge as necessary for a company to succeed.
- The ISSF investment strategy uses a combination of direct investments in SMEs alongside private investment funds seeking to leverage financing on a specific deal, and indirect investment in SMEs through funds (as a shareholding partner). Selection criteria for all investments is detailed in the Project Operations Manual (POM).
- An approximate US\$70 million in equity investment to be leveraged from private investors either as partner investors in funds (indirect investment) or as equity co-investors in deals (direct investment).

**Component 2: Deal Flow Creation Support (US\$3.125 million Bank loan/total budget US\$6.25 million)**

- The quality and number of viable investments made by the ISSF depends on a strong ecosystem able to generate entrepreneurship opportunity across Jordan and channel it into more viable startups. This includes programs that include outreach to entrepreneurs from lagging regions, under-served industries (other than ICT), and underserved groups like women entrepreneurs.
- Under this activity, the ISSF Company should support at least 825 entrepreneurs/SMEs to become investor ready, as well as improving the quality and variety of services provided by intermediaries and networks dedicated to the creation of deal flow in Jordan. The objective is to bring 125 viable deals to be considered for financing by the ISSF. As part of project management and administration, the ISSF assess the ecosystem development annually and identify priority areas for focus in the following year.

**Component 3: Project Management, Coordination and Monitoring and Evaluation (US\$2 million Bank loan/total budget US\$4 million):**

- Funds under this activity cover the ISSF management costs over the project life. Costs of the ISSF include management and consultancy fees and operations and administrative costs for the management and supervision of the project investment and deal flow activities. Project funds also support the ISSF's costs for the following: training and capacity building activities; marketing; conducting ecosystem assessments and analysis; setting up a coordination mechanism among related national and international programs; outreach specifically to the regions (website, conferences); citizen engagement activities; monitoring and evaluation (M&E); safeguards monitoring and review; legal; accounting, auditing, and financial management.
- Project funds also cover costs incurred by the JLGC in its role as the implementing agency including: the setting up of the ISSF, managing the designated account, conducting the necessary fiduciary and safeguards supervision including grievance redress, and the hiring of a consultant to ensure overall compliance by the ISSF of its reporting obligations, to the MC and the World Bank.

**III. OBJECTIVE**

10. The objective of the ISSF Manager is to ensure effective and efficient management of the ISSF Company. The ISSF Manager sets out to the Investment Committee (IC) the ISSF investment strategy and is solely responsible for ensuring the implementation of all the project activities including those related to the investments and deal flow creation.
11. The ISSF Manager role is executive and strategic. He / she is responsible for the implementation of the project. He/she oversees all project operations, preparation and submission of required reporting, specifically monitoring and reporting on

project indicators, as well as on financial management, procurement, and safeguards in accordance with the project criteria indicated in the current POM. Any key changes to the investment strategy and allocations will require Board of Directors (BOD) and WB approvals.

12. The BOD elects one of the BOD members to Chair the IC except for the JLGC who cannot chair or be involved in the IC. The IC will sanction investments and exits proposed by the ISSF investment team as delegated to it by the BOD.

Figure 1 below provides an indicative ISSF Organizational Chart:



**Figure 1. Indicative ISSF Organizational Chart**

**Roles of the JLGC and public sector stakeholders**

13. The JLGC does not have any role in the selection of investments, and the investment process. The JLGC holds shares in the ISSF on behalf of the Government and when the ISSF is liquidated, the proceeds will be returned to the Government. A high- level Monitoring Committee (MC) composed of the Ministry of Planning and International Cooperation (MOPIC), the Central Bank of Jordan (CBJ), the Ministry of Finance (MOF) and the Ministry of Industry and Trade (MOIT) have a monitoring role in the project. The JLGC report on a semiannual basis to the MC. The Government or the MC are not involved in the operations or administration of the ISSF.

14. The JLGC had the responsibility of setting up the BOD for the

ISSF. The BOD in accordance with the Companies Law is responsible for deciding on investments that are presented to it by the ISSF IC.

15. Additional details on the role of each stakeholder can be found in the POM.

#### **IV. SCOPE OF SERVICES**

**16. The ISSF manager acts as the Asset Manager of the ISSF and as the highest-ranking individual in the ISSF's structure. He/she will be responsible for the following:**

- Leading and managing the ISSF team and overall operations including but not limited to developing, deploying, and monitoring the progress of strategic and implementation plans, assessing risks to the ISSF and ensuring they are monitored and minimized, driving productivity and profitability, and communication with the board.
- Implementing the ISSF investment strategy and be solely responsible for ensuring the implementation of all the project activities including those related to investments and deal flow creation. This will include but not limited to revisiting the proposed strategy in POM and adapting it to local market needs, modifying the POM when needed, assessing applications, conducting due diligence, and investment selection process (investment strategy/policy and operations).
- Present a proposed annual marketing, outreach, and communications plan to the Board for approval, as well as monitoring and evaluating the plan implementation.
- Support events and activities relevant to the success of the project. These include pipeline development and execution.
- Participate in and lead negotiations and transaction structuring with potential investee companies. This also includes Due Diligence.
- Participate in and lead negotiations related to investments in funds (as a fund of funds)
- All presentations to the IC and ensuring it contains all necessary collateral. The ISSF Manager will also be one of the IC members
- Staffing the ISSF with qualified employees, ensuring that there is relevant expertise of staff in SME investments and investments in Funds (FOFs), from the private and equity investment sector
- Ensure that all implementation and reporting are in accordance with the World Bank guidelines detailed in the Project Operation Manual. This includes all required budgeting and reporting.
- Tracking results of end beneficiaries, funds, and intermediaries in accordance with the Project Results Framework and M & E guidelines specified in Annex 1 of the POM.
- Portfolio monitoring work and reporting to the various stakeholders including representation on relevant boards of investments.
- Measuring direct and indirect job creation and monitor these results to the extent possible, following best practice frameworks.

- Identifying and engaging regional and global VCs as potential lead investors to facilitate ISSF direct investments in start-ups.
- Reviewing the efficiency of different applied systems, including the financial system to track payments, investments costs, quasi equity repayments, maturities, and investment yield/return until such a time when the final proceeds will be liquidated and returned to the GOJ.
- Reporting on a regular basis to the JLGC in accordance with the guidelines on reporting under the sections of financial management, safeguards (ESMF), procurement, and project M&E. The World Bank had trained ISSF staff and consultants involved in the project to perform reporting on FM and safeguards guidelines as needed.

## V. REQUIRED QUALIFICATIONS AND ELIGIBILITY CRITERIA

### Education

- Minimum of BA degree in finance, business administration, economics, management, or related fields.

### Knowledge and Experience

- 10 + years of experience in equity investments in SMEs and/or Funds
- Capacity to develop successful investment policy and strategy including fund thesis.
- Proven leadership and management positions in private equity, venture capital, and/or investment banking
- Capacity to properly evaluate investment opportunities in SMEs and/or VC funds;
- Capacity to offer mentoring and other support (such as connecting them with the right parties for example) that innovative young SMEs typically need.
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- Experience in analytical knowledge of emerging markets, including the Middle East region and preferably Jordan.
- Experience in negotiating and structuring complex equity and quasi equity transactions.
- Existing and usable network amongst financial investors and strategic investors in emerging markets.
- Experience in portfolio management, including facilitation of exits.
- Experience in establishing strong partnerships with the local private sector.
- Experience in implementing a monitoring and evaluation system to measure the impact of the Project activities and to track performance of Project beneficiaries.

### Skills and Abilities

- Strong communication skills, both written and verbal, in English and Arabic

- Proficiency in MS Office
- Demonstrated analytical, problem-solving and negotiations skills

### **Eligibility Criteria**

- Submit an official Government letter confirming that he/she does not have any criminal record;
- Not be included in the World Bank's sanctions list.
- Not a public official (governmental staff).
- Has No conflict of Interest.

Without limitation on the generality of the foregoing, the ISSF Manager shall not be selected under the circumstances set forth below:

- Has a close business or family relationship with a professional staff of the Client, or of the project implementing agency, or of a recipient of a part of the Bank's financing.
- Applicant and immediate family is not benefitting and / or investing in SMEs that could be investable

17. The ISSF Manager will be selected in accordance with the procedures set out in the World Bank's "Procurement Regulations for IPF Borrowers" November 2020 ("Procurement Regulations"), setting forth the World Bank's policy on conflict of interest.

### **VI. RENUMERATION**

18. The ISSF manager will be hired on a full-time basis with a one-year employment contract, renewable based on satisfactory performance, achieved results and BOD endorsement. He / She will be paid a fixed competitive market-based salary

### **VII.SUPPLEMENTARY DOCUMENTS**

For further information on the project and the ISSF Company, the following documents are provided:

- ISSF Project Appraisal Document
- ISSF Operations Manual