**Annex-1- Tentative Terms of Reference for Project Developing Risk-Sharing Financial Solutions for Startups in Civil Law Jurisdictions (Project ZZZ2816)**

**OBJECTIVE**

* Review existing risk-sharing financing solutions for startups in Europe, and analyze their alignment and potential conflicts with Islamic finance principles.
* Investigate viable risk-sharing solutions within civil law systems, with a particular emphasis on the European legal framework, one EU country may be used as a muster and example.
* Develop a Shari'ah-compliant model contract for risk-sharing financing of startups that fits within European legal frameworks and can be adapted for use in other EU countries and civil law nations, such as those in North Africa and the Gulf.
* Assess the potential of the proposed model as a financing solution that extends beyond startups to support entrepreneurship more broadly.
* Perform An external Shari'ah Review of the study. Selection of the reviewer is subject to close work with and non-objection of IsDBI

**SCOPE AND DELIVERABLES**

The detailed scope of the Project includes the following:

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**A.** **Consultancy Services (First Phase):** Conduct a strategic feasibility study to evaluate existing risk-sharing tools in common and civil law systems in Europe and assess their alignment with Shari'ah principles, with a Muster Country’s serving as the civil law case study.

Deliverables:

1. Ethical and Sustainable Partnerships – Report
   * Analyze how Islamic finance aligns with ESG goals and SDGs in the EU to position Shari'ah-compliant finance as an attractive option for SRI investors.
2. Review of Common Law Tools – Report
   * Examine key financing tools (e.g., SAFE, KISS) used in common law jurisdictions and assess their compatibility with Shari'ah principles.
3. Adaptation for Shari'ah Compliance – Brief
   * Identify friction points in common law tools and propose modifications for Shari'ah compliance.
4. Exploring Muster Country’s Startup Ecosystem – Report
   * Assess Muster Country’s participatory loans and regulations to explore opportunities for Shari'ah-compliant financial tools within the civil law framework.

**B. Consultancy Services (Second Phase):** Develop a family of Shari'ah-compliant contracts that align with Spanish law and are adaptable to other EU, North African, and Gulf jurisdictions. Explore their potential for broader entrepreneurial ventures beyond startups.

Deliverables:

1. Shari'ah-Compliant Risk-Sharing Models – Template & Brief
   * Create contract templates aligned with Spanish law, ensuring practical use for entrepreneurs and investors.
2. Comparative Law Review – Report
   * Assess how the templates can be adapted to other civil law systems in the EU, North Africa, and Gulf countries.
3. Beyond Startups: Models for Entrepreneurs – Report
   * Explore the application of the models for SMEs and non-tech sectors, promoting financial inclusion and sustainable development goals (SDGs).

**C. Shari'ah Review:** A Shari'ah review of the family of Shari'ah-compliant contract models for risk-sharing financing of startups will be performed to ensure that the contracts are Shari'ah compliant and can be used by most of the Islamic financial institutions.

**DURATION OF THE ASSIGNMENT**

The project duration will be 24 months, commencing from the date of the contract signature.

**METHOD OF PAYMENT**

The method of payment will be based on the above specified deliverables under Scope and Deliverables section and thus it will be lump sum payment.

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| --- | --- |
| Payment details | Payment terms |
| 10% | Upon completion and acceptance of the inception report. |
| 30% | Upon approval of the First Phase |
| 60% | Upon approval of the Second Phase (Including Shariah Review and receiving the final copies of the studies/documents) |

**KEY EXPERTS REQUIRED FOR THE ASSIGNMENT:**

The proposed project team must be composed of the key experts and specialists as indicated in the table below; however, the Consultant has the option to add more personnel depending on their work strategy:

1. Team Leader: 10+ track record of significant managerial experience in Law and Entrepreneurship or equivalent expertise in one of them at least.
2. Senior Law Expert: 5+ Years in legal and regulatory considerations for evaluating existing risk-sharing tools in common and civil law systems.
3. Senior Shariah Expert: 5+ Years in developing Shari'ah-compliant contracts that align with EU, North African, and Gulf jurisdictions.

All the above-mentioned Key Experts should have experience in at least three (3) similar assignments. At least one of the above experts needs to be proficient in Islamic economics and finance.

**THE RESPONSIBILITIES OF THE BENEFICIARY AND CONSULTANT**

As indicated above, the consultant will deliver the studies, documents, training program, etc. as mentioned under Scope and Deliverables section on time and best quality with good intention. The Beneficiary will provide documents, information, etc. required by the consultant along with necessary logistics arrangements. In addition, the Beneficiary will make timely payments upon receiving deliverables.