ANNEX II: TERMS OF REFERENCE

1. BACKGROUND INFORMATION 2

1.1. Partner country 2

1.2. Contracting Authority 2

1.3. Country background 2

1.4. Current situation in the sector 2

1.5. Related programmes and other donor activities 2

2. OBJECTIVE, PURPOSE & EXPECTED RESULTS 2

2.1. Overall objective 2

2.2. Purpose 3

2.3. Results to be achieved by the Contractor 3

3. ASSUMPTIONS & RISKS 3

3.1. Assumptions underlying the project 3

3.2. Risks 3

4. SCOPE OF THE WORK 3

4.1. General 3

4.2. Specific work 3

4.3. Project management 4

5. LOGISTICS AND TIMING 4

5.1. Location 4

5.2. Start date & Period of implementation of tasks 4

6. REQUIREMENTS 5

6.1. Staff 5

6.2. Office accommodation 6

6.3. Facilities to be provided by the Contractor 6

6.4. Equipment 7

7. REPORTS 7

7.1. Reporting requirements 7

7.2. Submission and approval of reports 7

8. MONITORING AND EVALUATION 8

8.1. Definition of indicators 8

8.2. Special requirements 8

# BACKGROUND INFORMATION

## Partner country

The Republic of Serbia

## Contracting authority

Development Agency of Serbia

## Country background and

## Current situation in the sector

Low competitiveness of Serbian enterprises is a result of challenges of the business environment faced by private sector. The Government has taken a comprehensive approach in addressing these challenges, aiming to reduce administrative costs by 15-20% until 2020. This resulted in a significantly improved ranking in the Doing Business Report, from 91st in 2014 to 48th place in 2018. More than 100 administrative fees have been abolished and it was made easier to deal with construction permits. Starting a business has been made simpler, the reliability of the land administration system was strengthened and enforcing contracts was made easier.

One of the elements of the business environment seriously affecting the competitiveness of Serbian enterprises is limited access to affordable finance. Over 69% of companies interviewed in USAID’s Serbia Business Survey 2017 reported that they did not borrow to finance operations and growth. According to the same Survey, 84% of SMEs are financed from their own sources. The situation is particularly worrisome for small companies. The financing gap based on the potential demand from, for example, micro enterprises in Serbia, is estimated between 938 – 1,036 EUR million. The micro-financing and venture capital investment are impeded by lack of legal framework, and the unfavourable offer of loans by the banking sector is caused by high requirements for collateral, low credit rating and limited transparency of financial statements of the loan applicants. Lack of affordable financing is preventing Serbian enterprises to modernize their production and to invest in innovation and commercialisation, resulting in low productivity with only 9.2 % of manufacturing having high and medium high-technology products. This affects SMEs and particularly small companies with, for example, companies in the field of textiles, on average, using 35 years old machinery, followed by companies from the machine industry with equipment that is 34.5 years old . Equipment, tools and other productive resources are the most obsolete in the region of southern Serbia (41 years) and the least obsolete in the region of Bačka (18.5 years) and in Belgrade (20.5 years). Consequently, SMEs have less chance of producing high quality products able to compete on international markets on the basis of quality, quantity and unit costs.

The Competitiveness sector as a whole received EUR 1.782 billion of budget funds in the 2015-2018 period, which amounts to average of 5.78% of the total budgetary funds allocated to all sectors. In regard to the origin of resources, the Competitiveness sector was predominantly funded by allocation of the internal (national) resources. The funding from the internal resources amounted to 1.318 EUR billion, relative to 200 EUR million funding from the external resources. In the structure of external funding, international loans generally dominated over international donations and EU assistance. The disbursement rate of the loans is 71%, which is the second highest disbursement rate among all other sectors. The largest amount of funds was allocated to Entrepreneurship and Competitiveness, and Research and Development and Innovation. Over the four years, 78% of total funds for the sector were allocated for these areas, showing the Government’s strategic commitment towards private sector support and the knowledge-based economy. In the 2015-2018, EUR 70 million were allocated for that purpose. In 2019-2021, it is planned that the sector receives EUR 1.376 billion of total allocations for all sectors. In the forthcoming three years, 9% (or 57 EUR million) of the internal resources allocation for the Entrepreneurship and Competitiveness will be directed for the development of entrepreneurship. It will include support to SMEs to purchase equipment, invest in business operations and increase competitiveness of their products and services.

As part of the comprehensive approach, Serbia needs to continue to improve access to finance to SMEs and diversify existing funding mechanisms.

The sector strategy covering the Action relevant to the Terms of reference is **Strategy to support the Development of SMEs, Entrepreneurship and Competitiveness (2015-2020) (SME Strategy): Pillar 1**: Improvement of business environment Dimension 1: Establishment of stimulating regulatory framework in accordance with demands and abilities of SMEs **Pillar 2**: Improvement of access to sources of funding Dimension 3: Improvement of the ability of SMEs to access various sources of funding; **Pillar 4**: Enhancing the sustainability and competitiveness of SMEs Dimension 1: Improvement the efficiency of the institutional support to business operations and development of SMEs and entrepreneurship Dimension 3: Improvement the functionality of the national innovation system.

## Related programmes and other donor activities

“IPA 2019 – Direct Grant to the Development Agency of Serbia – Scaled up and technologically improved production capacity solutions among micro and small enterprises and entrepreneurs”, ref. 19SER01/601/21 (hereinafter: Action) is a part of the Country Action Programme for the Republic Serbia for the year 2019-EU Support to Competitiveness, Research and Development and Innovation. Jointly with other actions from the Country Action Programme it will contribute to its overall objective to increase the competitiveness of the Serbian economy. Specifically, it addresses the need to strengthen the private sector’s impact on the economy by increasing its business efficiency and their share in turnover, GDP and profitability. Through providing financial support for purchasing of new equipment, the Serbian companies will be more competitive and that leads to an increase in competitiveness of the Serbian economy. Regardless COVID-19 related support instruments, there are several national and regional EU funded project and initiatives which are relevant for improving access to finance for SMEs and with whom the proposed Action have supplementary scope and development approach. The Western Balkan Enterprise Development and Innovation Facility (WB EDIF) is improving access to finance for SMEs through its Equity (ENEF and ENIF), Lending (Regional Competitiveness Programme) and Guarantee instruments (GF I, GF II and „EU for Serbia –financing for SMEs”). Total funding for Serbia so far is more than EUR 205 mil and more than 1 200 SMEs benefited from the interventions. Nevertheless, instruments of this platform mostly support loans for working capital, equity investments or loans for upgrading production processes to EU standards in the fields of environmental protection, product safety and quality and occupational health and safety. Some instruments from WB EDIF have been extended at national level in Serbia: through “EU for Serbia – Finance for SME” (IPA 16) - 20 mil EUR for favourable loans for SMEs is allocated, while “EBRD SME Competitiveness Support Programme” got additional 10 million EUR funding for Serbia from the IPA 18 allocation. Important positive influence in terms of boosting banks credit activity towards SME sector have guarantee schemes financed from EU programs, i.e. COSME, EaSI and InnovFin. As already stated, the Action represents scaling up of well-established national PEP which has been developed with the support from USAID BEP program, while MIS software has been acquired with support from German bilateral co-operation.

# OBJECTIVE, PURPOSE & EXPECTED RESULTS

## Overall objective

The overall objective of the project of which this contract will be a part is as follows:

The overall objective of the Action is to contribute to increase competitiveness of the Serbian economy.

Action “IPA 2019 – Direct Grant to the Development Agency (Action) of Serbia – Scaled up and technologically improved production capacity solutions among micro and small enterprises and entrepreneurs” shall contribute to increased competitiveness of the Serbian economy by supporting investment of micro and small enterprises in modernization of production equipment and expansion of production.

The specific objective of the Action is to increase business efficiency of Serbian micro and small enterprises. In addition, action will strengthen capacities of national institutions to run complex future development of the programs, funded from national or EU funds and to provide inputs for adjustment of portfolio of support programs towards post- COVID19 recovery and long - term development needs.

## Purpose

The purpose of this contract is as follows:

* Evaluation and assessment of the visibility and communication actions on the project “Scaled up and technologically improved production capacity solutions among micro and small enterprises and entrepreneurs” within compliance with EU visibility guidelines.

## Results to be achieved by the contractor

Outputs, that are expected to be delivered by the contractor are:

* Detailed methodology used for the evaluation, work plan and explanations of instruments and resources used during the evaluation process
* The overall evaluation of visibility and communication actions performed (with the focus on internal communication), impact during the period beginning of the Program implementation provided.

# ASSUMPTIONS & RISKS

## Assumptions underlying the project

* The Government maintains consistent policy and commitment to the EU accession;
* Existence of sufficient and efficient absorption capacities for EU funds within contracting authority administration and relevant stakeholders;
* Timely and efficient cooperation of all involved stakeholders and experts;
* Relevant legislation remains unchanged.

## Risks

* Global trends in changes related to interest rate;
* Lack of interest of sub beneficiaries in post COVID period;
* Lack of interest of the financial intermediaries in post COVID period;

# SCOPE OF THE WORK

## General

### Description of the assignment

Service of the external evaluation of project visibility and communication actions involves a comprehensive and detailed analysis of the project in order to analyse the effectiveness of its implementation, achieving desired effects and achieved results from the point of visibility obligations. Thereby, it is determined the impact of project visibility results on the target groups.

The methodological approach should ensure:

* Capture implementation progress lessons through data review to improve the efficiency of project implementation during the year 2022.
* Assess the design of planning documents and provide policy recommendations for improving future project activities.

Evaluation should include review of project documents, interviews with the project team, the project partners and associates .

The process of evaluation will be led by expert and it will prepared as the evaluation and assessment of visibility actions and communication activities of the project.

### Geographical area to be covered

The contract shall be implemented in the Republic of Serbia.

### Target groups

Key target groups of this contract are employees of RAS and MoE and to limited extend partner financial institutions.

## Specific work

The Consultant should provide following activities:

Preparation of assessment plan.

Preparation of evaluation sheets in compliance with adopted assessment plan and methodology.

Assessment according to the proposed methodology. Assessment will cover project activities implemented during the year 2022. It will be checked is the actions performed in compliance with EU visibility guidelines, assessment of internal communication on the project and other potential issues.

Production of evaluation reports. It will be prepared the evaluation reports of visibility and communication actions/activities implemented in first 18 months of the project.

Project evaluation should assess the success of implemented activities according to the five basic criteria:

* **Relevance**
* **Efficiency**
* **Effectiveness**
* **Sustainability**
* **Communication and visibility**

## Project management

### Responsible body

Development Agency of Serbia

### Management structure

The Contractor will work closely with 2 RAS advisors that will be in charge for daily communication with Contractor.

Project Manager is responsible to give final approvals for tattled deliverables.

The overall team for implementation of the Action from which this contract is financed is comprised of:

**Development Agency of Serbia (RAS)** is the beneficiary of the direct grant and it is in charge of overall management and implementation of the entire Action. For the overall management of the Action, RAS has appointed high-rank official to act as Project manager. Project manager would rely on the support of 4 additional RAS officials tasked with project management activities, as well as the team of individual experts. RAS Procurement unit and RAS Financial unit shall support the implementation of Action as well. Staff from IPA Unit of the MoE will also provide support to the Project manager. **Ministry of the Economy (MoE)** is co-applicant and MoEs main responsibilities are preparation of the legal basis for PEP, launching Calls for Proposals (CfP) for selection of commercial banks and leasing companies, as well as a CfP to business entities for the award of grants, establishment and participation in Committee for selection of banks/ LCs and Grant Committee and oversees PEP implementation. MoE will ensure the national funding from the state budget, which is intended solely for PEP CfP in 2022. Commercial banks and leasing companies are involved in PEP implementation. They are receiving the applications for grants and requests for credit or financial leasing, performing administrative checks of the submitted grant application, approve credit or financial leasing requests and perform monitoring of sub-grant beneficiaries. Accredited regional development agencies provide technical assistance to RAS in the implementation of monitoring of earmarked funds used.

**Project Steering Committee (PSC)** will be established to perform overall monitoring and steering of the implementation of the Action.

### Facilities to be provided by the contracting authority and/or other parties

N/A

# LOGISTICS AND TIMING

## Location

Republic of Serbia

## Start date & period of implementation of tasks

The intended start date is January 2023. and the period of implementation of the contract will be 2 months from this date. Please see Articles 19.1 and 19.2 of the special conditions for the actual start date and period of implementation.

# REQUIREMENTS

## Staff

Note that civil servants and other staff of the public administration of the partner country, or of international/regional organisations based in the country, shall only be approved to work as experts if well justified. The justification should be submitted with the tender and shall include information on the added value the expert will bring as well as proof that the expert is seconded or on personal leave.

### Key experts

Key experts are not required.

### Other experts, support staff & backstopping

CVs for experts other than the key experts should not be submitted in the tender but the tenderer will have to demonstrate in their offer that they have access to experts with the required profiles. The contractor shall select and hire other experts as required according to the needs. The selection procedures used by the contractor to select these other experts shall be transparent, and shall be based on pre-defined criteria, including professional qualifications, language skills and work experience.

The costs for backstopping and support staff, as needed, are considered to be included in the tenderer's financial offer.

## Office accommodation

Office accommodation for each expert working on the contract is to be provided by the contractor.

## Facilities to be provided by the contractor

The contractor shall ensure that experts are adequately supported and equipped. In particular it must ensure that there is sufficient administrative, secretarial and interpreting provision to enable experts to concentrate on their primary responsibilities. It must also transfer funds as necessary to support their work under the contract and to ensure that its employees are paid regularly and in a timely fashion.

## Equipment

**No** equipment is to be purchased on behalf of the contracting authority / partner country as part of this service contract or transferred to the contracting authority / partner country at the end of this contract. Any equipment related to this contract which is to be acquired by the partner country must be purchased by means of a separate supply tender procedure.

# REPORTS

## Reporting requirements

The contractor will submit the following reports in English language in one original and 1 copy:

* **Draft evaluation report** of visibility actions implemented in the year 2022,
* **Final evaluation report** of visibility actions implemented in the year 2022,
* **Draft final report** of maximum 20 pages (main text, excluding annexes). This report shall be submitted no later than one week before the end of the period of implementation of tasks.

**Final report** with the same specifications as the draft final report, incorporating any comments received from the parties on the draft report. The deadline for sending the final report is 7 days after receipt of comments on the draft final report. The report shall contain a sufficiently detailed description of the different options to support an informed decision on the project achievements. The detailed analyses underpinning the recommendations will be presented in annexes to the main report. The final report must be provided along with the corresponding invoice.

## Submission and approval of reports

The report referred to above must be submitted to the project manager identified in the contract. The project manager is responsible for approving the reports.

# MONITORING AND EVALUATION

## Definition of indicators

* Provided at least one expert for evaluation delivery
* Prepared draft version of evaluation report of visibility actions implemented in first 18 months of the project
* Prepared final version of evaluation report of visibility actions implemented in first 18 months of the project

## Special requirements

N/A