**TERMS OF REFERENCE**

**Consultancy Services to assist the Ministry of Finance in Undertaking the Analysis and Evaluation of the Guarantee Schemes, as measures of support to the economy for mitigating the consequences and negative impact of the COVID-19 pandemic**

**Background**

The International Bank for Reconstruction and Development (hereinafter: the IBRD) has granted to the Republic of Serbia (hereinafter: RoS) a EUR 40.1 million results-based loan to finance the State-Owned Financial Institutions Strengthening Project (hereinafter: the Project) with its implementation period lasting four years. According to the Loan Agreement, the disbursement of about EUR 34.57 million of the loan amount will be through several installments based on achieving respective Disbursement Linked Results (hereinafter: the DLRs). Within the Project IBRD also provides a technical assistance component of EUR 5.43 million to help with the achievement of the DLRs. The technical assistance component also includes consulting services which should help develop capacity of the Ministry of Finance (hereinafter: the MoF) as one of the competent bodies for creating financial stability in the RoS through stabilization of the banking sector, especially with respect to state-owned institutions.

The Ministry of Finance of the RoS (hereinafter: the MoF) is the implementing entity responsible for all technical aspects of implementation of the Project. The Project provides financing for technical assistance (hereinafter: the TA) for strengthening institutional capacity through Component 2, in support of the achievement of the agreed DLRs. Component 2, among other things, includes funding of individual consultants or firms which will be engaged to help the MoF unit of Financial Sector (hereinafter: the MoFFS) to meet respective DLRs, as the unit in charge for overseeing the RoS financial sector. The Project provides that the MoFFS shall be the unit within the MoF responsible for collecting data required for monitoring and evaluation and coordination of the Project`s activities related to fulfillment of the DLRs.

During the pandemic, a set of Laws and bylaws regarding the allocation of state aid for the elimination of a serious disturbance in the economy, caused by the epidemic of the infectious disease COVID-19 was passed.

The Decree on conditions and compliance criteria of state aid to eliminate disorders in the economy caused by the epidemic of the infectious disease COVID-19 stipulated that the state aid for liquidity of market participants may be granted through the following instruments:

* in the form of subsidies, debt write-offs, tax reliefs
* in the form of subsidized interest rates for loans
* in the form of loan guarantees under more favorable market conditions
* in the form of deferred payment of taxes and / or social security contributions
* in the form of subsidies for employees' salaries in order to avoid dismissals during the epidemic of the infectious disease COVID – 19
* in the form of short-term export insurance
* to cover part of the fixed costs

In 2020, the Republic of Serbia adopted the Law on Determining a Guarantee Scheme as a measure of support to the economy for mitigating the consequences of the COVID-19 pandemic (“First Guarantee Scheme“), which included an incentive for banks to support companies in the form of loans. Soon after the adoption, First Guarantee Scheme was amended, whereas main amendments concerned changes in the repayment period of the already established scheme.

In addition to the existing amendment, the Law on Determining a Guarantee Scheme as a measure of additional support to the economy due to the prolonged negative impact of the COVID-19 pandemic (“Second Guarantee Scheme) was adopted, as a follow up to the successful implementation of the last scheme.

The Republic of Serbia undertook the obligation set by Laws to settle, as a Guarantor, the claims of banks arising on the basis of approved loans for financing the liquidity of working capital for crediting the economy due to the prolonged negative impact of the pandemic.

The Republic of Serbia, the National Bank of Serbia and individual banks concluded individual guarantee agreements which specify the conditions under which loans can be provided, mechanisms for increasing, mechanisms for including and excluding loans from the secured portfolio, guarantee period and other important issues. By concluding the contract, it was considered that the Republic of Serbia has issued an Individual Guarantee.

The scheme provided loans to finance liquidity and working capital (“First Guarantee Scheme”). Such loans can also be used to refinance and for early repayment of instalments of existing liquidity and working capital loans, but they cannot be used to finance loans with other banks (“Second Guarantee Scheme”). Also, the condition that the loan must meet in order to be secured by the scheme is that the repayment period is up to 60 months from the loan disbursement, which includes a grace period of 18 to 24 months from the date of the loan disbursement, except in the case of a moratorium and/or other facilities introduced by the regulations of the National Bank of Serbia in order to mitigate the consequences of the pandemic.

Considering all of the abovementioned, the Ministry of Finance is seeking for consultancy services to assess the efficiency and effectiveness of the implemented schemes as described above.

**Objectives and Mandate**

The purpose of the consultancy is to assess the efficiency and effectiveness of the implemented Guarantee Schemes. The consultancy shall in particular:

* provide feedback to decision makers on the effectiveness of implemented measures thus enabling the formation of an analytical basis for the creation of future measures
* enable consideration of actual positive and negative, direct or indirect effects caused by the implemented measures
* allow to determine the need to take additional and/or corrective measures in order to reduce to a minimum potential negative effects

The consultancy shall cover the entire period from the date of the introduction of the Guarantee Schemes. Furthermore, it should draw lessons from the assessment to inform the authorities on future permanent guarantee scheme.

**Scope and Methodology**

Consultancy services to assist the Ministry of Finance in undertaking the analysis and evaluation of the Guarantee Schemes, as measure of support to the economy for mitigating the consequences and negative impact of the COVID-19 pandemic shall focus in particular on:

1. Analysis and evaluation of the effects of the Guarantee Schemes
2. Procedure for monitoring of and reporting on the implemented Guarantee Schemes

## **Analysis and evaluation of the effects of the Guarantee Schemes**

Consultant shall perform the ex-post analysis of effects of the Guarantee Schemes as measures of support to the economy for mitigating the consequences and negative impact of the COVID-19 pandemic.

Ex-post analysis shall in particular encompass the following three (3) phases:

1. Analysis of the current situation (futher on: analysis of the „as-is“ situation)
2. Analysis and evaluation of the effects of the Guarantee Schemes (further on: analysis and evaluation of the effects)
3. Preparation and presentation of the Report on the conducted analysis and evaluation (futher on: Reporting)

## **Analysis of the „as-is“ situation**

During the initial phase of the ex-post analysis, before starting the work on the analysis and evaluation of the effects, an analysis of the current situation should be conducted to describe the context and to provide basic information for all subsequent steps in analysis and evaluation of effects. The prerequisite for the „as-is“ analysis shall be the data monitored by the Ministry of Finance

The „as-is“ analysis should enable the Consultant to establish a clear, detailed and realistic picture of opportunities, resources, challenges and obstacles in relation to the conduction of the subsequent analysis and evaluation of effects.

Timely and continuous monitoring of the implementation of the Guarantee scheme, as one of the duties of the Ministry of Finance, shall help in this step of the analysis.

## **Analysis and evaluation of the effects** **of the Guarantee Schemes**

The Consultant shall analyse and evaluate the effects of the Guarantee Schemes. The analysis of the effects shall provide the answers whether the outcomes are in line with what is the desirable goal - whether the measures undertaken have the expected effects and shall provide information basis – recommendations aimed for the future cycle of creating future measures. The analyst should quantify the impact of the scheme which means that a hypothetical scenario needs to be created that would aim to compare the de-facto situation („with guarantee“) with a hypotheticial situation/ counterfactual („no guarantee“).

The Consultant shall objectively consider the effectiveness and efficiency of the implemented measures and provide answers to the questions on how the measures have been implemented, whether the improvements are necessary/possible, whether the benefits justified the costs of its implementation etc.

Given that the regulation provides only a basic framework for the analysis and evaluation of the effects of the implemented measures, **the Consultant shall be responsible for the design and elaboration of the Methodology** **for the analysis and evaluation** and shall determine the steps of the analysis.

The Methodology shall in minimum consider the following aspects:

* Re-establishment of the goals and desired outcome of the Guarantee schemes
* Determination of the beneficiaries (companies and banks) of the measures, to be included in the analysis / evaluation
* Determination of the approach to the analysis and evaluation
* Determination of the necessary data for the analysis and evaluation
* Execution of the analysis and evaluation

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## **Re-establishment of the goals and desired outcome of the Guarantee schemes (intervention logics)**

For the purposes of the evaluation, it is necessary to reconstruct the logic of the intervention. To determine the results, the hierarchy of objectives, expected outcomes and the hierarchy of indicators must be understood. There needs to be a logical link between long-term (effects), medium-term (outcomes) and short-term (operational) results.

The Consultant shall analyze the Guarantee Schemes, to determine the quantifiable goals and non-quantifiable goals. In case of the non-quantifiable goals, the Consultant shall analyze the extent to which they can be quantified on the basis of the existing information. As a result, **the Consultant** **shall determine / define the impact indicators** to be used for the purpose of the evaluation of the results/outcomes/effects of the measures implemented under the Guarantee Schemes. These indicators should include: (i) employment rate assessment, (ii)contribution to GDP (in terms of increasing turnover of the companies) and (iii) negative impact assessmen on GDP of Serbia if the guarantee scheme was not adopted in Serbia.

## **Determination of the beneficiaries of the measures, to be included in the analysis / evaluation**

Measures under the Guarantee Schemes are intended for micro, small, and medium enterprises, entrepreneurs and registered agricultural holdings based in the Republic of Serbia, under the explicit criteria defined in the Laws and bylaws.

The Consultant shall propose the **methodology for selection of the beneficiaries** of the measures, to be included in the analysis and evaluation of the results/outcomes/effects of the measures implemented under the Guarantee scheme, to serve as a representative sample.

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## **Determination of the Approach**

Considering the interest in how the Guarantee Schemes are implemented and what are the results/outcomes/effects of the implementation of the same, as well as whether the benefits justify the costs of implementation, the evaluation shall contain elements of process evaluation, evaluation of the effects / outcomes / results and economic evaluation. These three issues are not mutually exclusive, so it is possible to pay attention to all these aspects during the evaluation. Given the nature of the analysis, the dominant part shall be to answer to the second question - the effectiveness of the Guarantee Schemes.

*Process evaluation* should provide basic information on the process of the implementation of the Guarantee Schemes i.e., on activities and measures taken to implement the Laws. The evaluation, in addition to describing the process, can present a series of data, both qualitative and quantitative, collected in various ways i.e., process evaluation may present stakeholders’ perceptions of the success and quality of the Laws and measures undertaken under the Guarantee Schemes.

*Evaluation of the effects / outcomes / results* should describe the effects at the level of the general goals, specific goals and measures implemented under the Guarantee Schemes. Whether the evaluation will be of good quality, depends on the availability of the data, the way the impact indicators (employment, contribution to GDP) are determined and the approach to the evaluation itself.

*Economic evaluation* is a cost effectiveness analysis and should provide the answer to the question whether the benefits of the measures undertaken under the Guarantee Schemes outweigh the costs of the same as well the size and the scope of the Guarantee Scheme.

The Consultant shall be responsible for **detailed elaboration on the Approach in analyzing / evaluating the effects / outcomes / results** considering the abovementioned. Proposed approach shall in addition cover the questions such as what is the scope of the evaluation, is it necessary to conduct the economic evaluation, what level of detail is required, what degree of reliability of the findings is required etc.

## **Determination of the necessary data**

The validity and reliability of the analysis and evaluation depends on the reliability of the data collection. Where the data will be collected depends largely on the subject of the evaluation. Existing databases of Ministry of finance and Serbian Bussiness Registers Agency can and will be used.

However, some other specific data may be needed for the evaluation process. In such cases, it should be assessed whether the benefits of such data outweigh the costs and time required to collect them (principle of proportionality).

The Consultant shall determine the necessary data needed to undertake the Approach stated in the point 3.1.2.3. The Consultant shall consider whether the data are already available, is it necessary to collect additional data, are there any problems anticipated related to data access and similar.

## **Execution of the analysis and evaluation**

Once all the necessary details are determined and in place, impact indicators and evaluation questions are available, the Consultant shall approach **the evaluation itself**. It is necessary to integrate the data, findings, issues, criteria collected and identified in the previous steps into an evaluation model - which will combine all these elements and show whether the Guarantee Schemes are successful.

This step is nothing more than the application of critical thinking, reasoning, and common sense in order to better understand whether what has been implemented has given the expected effects / outcomes / results.

1. **Procedure for monitoring of the implemented Guarantee Schemes**

Monitoring of the implementation of the Guarantee Schemes implies the collection and analysis of data during the implementation of the Laws - implementation of the measures under the Guarantee Schemes, in order to determine whether the set goals are achieved, as well as whether the planned measures and activities are implemented efficiently and according to the plan. Monitoring of implementation implies regular reporting, and the results of monitoring should be used as an input information for analyzing and evaluating the effects.

Thus, the Consultant shall analyse the existing Monitoring procedure of the Ministry of finance , including the reporting that extends over the period beginning with launching of the first Guarantee Scheme by the date of this service, in order to identify gaps and provide relevant comments and recommendations.

Further on, the Consultant shall **draft** the improved **Monitoring and evaluation procedure** considering as a minimum the following aspects:

* 1. Definition of activities for continious monitoring of the implementation
  2. Definition of relevant, measurable and clear impact indicators for monitoring and evaluating the implementation
  3. Determination of the reporting methodology including the structure and the content of the reports
  4. Standardization of the reporting templates (questionnaires, reporting forms, evaluation forms etc.)

**Deliverables and timing**

All deliverables are to be prepared in Serbian and English language. Costs of translation will be borne by the Consultant.

Services shall be conducted in accordance with the following timetable:

* Within fifteen (15) days from signing the Contract for the services, the Consultant will submit to the Ministry of finance for approval a **Project work plan**, outlining key milestones and objectives.
* Within thirty (30) days from the approval of the Project work plan, the Consultant will provide the relevant Government body with a **Report on the “as-is” situation**, specifying preliminary observations and key challenges and obstacles encountered prior to conduction of the analysis and evaluation of effects
* Within eighty (80) days from the approval of the Project work plan, the Consultant will provide a detailed **draft** **Report on analysis and evaluation of effects**
* Within hundred (100) days from the approval of the Project work plan, the Consultant shall provide a proposal of a **draft Monitoring and evaluation procedure**
* Within hudred (100) days from the approval of the Project work plan, the Consultant shall provide a detailed **final Report on analysis and evaluation of effects**
* Within hundred and twenty (120) days from the approval of the Project work plan, the Consultant shall provide **final document – Monitoring and evaluation procedure**

In addition to the major deliverables listed above, the Consultant will also provide the following deliverables:

* Monthly Progress reports
* Ad-hoc reports vis-à-vis activities depicted in the sections above, as well as those that may be additionally listed in the Work Plan

The Consultant will meet with the Ministry of finance representative periodically and as needed to provide status updates as the work progresses.

**Reporting**

Basic conclusions and recommendations shall be made and synthesized in the **Analysis and Evaluation Report** by the Consultant. It is important to formulate recommendations that should be considered further in the next cycle of planning and/or revision of given Laws on Determining Guarantee Schemes.

It is important that the findings and recommendations are formulated in the manner to be easily understood by those who are not analysts and researchers. In addition to the technical data to be provided in the appendices, the Report should also contain a summary of the main findings, implications and recommendations, as well as clear and simply formulated explanations and arguments throughout the content of the evaluation report. Recommendations should be practical, feasible and clearly linked to the conclusions of the analysis and evaluation.

The Consultant shall work closely and report to the Assistant Minister in Charge of Department for Financial System. The Consultant shall keep regular contact with all stakeholders.

The contract value will include all consultancy fees and the costs of air fare to and from Belgrade for the international consultants. The contract value also includes costs for interpretation, translation of documents, local travel, and communication costs.

**Modification of requirements**

Any envisaged modifications of the reporting standards and other requirements established in these Terms of Reference that seek to allow for a more cost-effective use of the Consultant’s resources, without jeopardizing the objective of this exercise, are to be discussed with the Ministry of finance representative before the finalization of the Services.

**Profile of the Consultant**

In order to be considered qualified to perform the Services, the Consultant must be able to demonstrate the ability to perform all the tasks specified in these Terms of Reference. Specifically, Consultant should have the requisite size, experience, ability to draw from international practice, successful track record of similar engagements in other countries, and capacity to work in both the Serbian and English languages.

The Consultant is required to specify the availability of suitably of qualified senior staff to complete the Services. Designated senior staff may not be changed without the written consent of the Ministry of finance .

The Consultant and its staff assigned to work on the Services must disclose any conflicts of interest that may preclude it from conducting the Services. Independence implies, among others, that the senior managing partner, and any partner and staff that would be involved in the assignment, as well as their immediate relatives, have no personal, financial, or close business relationship with the subjects of the Services.

**Qualifications of the Consultant**

In order to perform the Services, Consultants may associate with each other in the form of a joint venture or of a sub-consultancy agreement to complement their respective areas of expertise, strengthen the technical responsiveness of their proposals and make available bigger pools of experts, provide better approaches and methodologies, and, in some cases, offer lower prices.

However, in order to be selected, the Consultant must possess, at the minimum, the following qualifications:

* It must be a legal entity;
* The Consultant must prove its capability by listing its experience in similar engagements in the field of evaluation of the effects of guarantee scheme, or related financial instruments in the previous five years (2016-2021) wll be considered as an advantage.

As a proof, the Consultant shall prepare a table listing following information: name of the relevant similar assignment, short scope of work, year of contract’s implementation, contracted amount, country/region, contact reference (name, e-mail, phone number).

## ***Key staff qualifications***

Consultant must ensure that the key staff that shall perform the Services possess the following qualifications:

***K-1 Team Leader***

* Postgraduate academic or professional degree (master’s degree, specialist academic degree, or specialist professional degree), or graduate degree awarded following the completion of a course of study of at least four years’ duration (240 ESPB); finance, economics or related areas would be an advantage
* Experience as a team leader in at least one (1) prior consultative engagements of a similar nature in last 10 years; Adequate relevant experience in the Region would be an advantage
* At least 10 years of experience in financial sector (or related industry services), including comprehensive institutional analysis and diagnosis and developing and implementing strategies, policies and procedures, as well as analysis and evaluation of effects of the strategies, policies and procedures
* Leadership of or a significant contribution to policy development and implementation activities in the field of Public Sector would be an advantage;
* Excellent English written and presentation skills;
* Excellent communication, organization, and teamwork skills.

***K-2 Key expert***

* Postgraduate academic or professional degree (master’s degree, specialist academic degree, or specialist professional degree), or graduate degree awarded following the completion of a course of study of at least four years’ duration (240 ESPB); finance, economics or related areas would be an advantage
* At least 5 years of professional experience in financial sector (or related industry services) in providing support in the field of analyses and evaluation of effects of the strategies, policies and procedures, as well as support in the development and implementation and / or upgrading of the strategies, policies and procedures
* Extensive knowledge of best international standards and good practices in banking
* Knowledge of Serbian Laws and bylaws is preferable
* Skills in data analysis and business analytics would be and advantage
* Excellent English written and presentation skills;
* Excellent communication, organization, and teamwork skills.

**Selection of the Consultant**

The Consultant shall be selected in accordance with Consultant Qualification Selection method (CQS) set out in the World Bank’s Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing – Goods, Works, Non-Consulting and Consulting Services (July 2016, revised November 2017).

Evaluation of the Expressions of Interest will be done in accordance with following criteria:

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| --- | --- | --- |
| # | *Criteria* | *Weight* |
| 1 | Specific experience of the Consultant (as a firm) relevant to the Services | **10** |
| 2 | Adequacy and quality of the proposed methodology and work plan in responding to the Terms of Reference | **40** |
|  | Key Experts’ qualifications and competence for the Services  a) K-1: Team Leader [points 30]  b) K-2: Key expert [points 20] | **50** |
| The Key Experts’ qualifications shall be evaluated according to the following sub-criteria and their belonging weights: | | |
| a) | General qualifications (general education and experience) | **30** |
| b) | Adequacy for the Services (relevant education and experience in the financial sector (or related industry services)/similar assignments) | **60** |
| c) | Relevant experience in the Public Sector (administrative system, government organization, etc.) | **10** |

The MoF will publish Request for Expression of Interest and upon evaluation of received EoI, the best evaluated firm will be invited to submit combined technical-financial proposal.

**Confidentiality**

All matters related to the Consultant’s work under the Services, including these terms of reference and any information or documentation provided to the Consultant, are to be treated as confidential. All persons connected with the Consultant that have access to such information or documentation should be instructed as to the importance of maintaining complete confidentiality. The Consultant shall not, without prior approval of the Ministry of finance representative, discuss (the result of) the Services with third parties.