# Terms of Reference and Scope of Services for

**Audit of reference prices and preparation of guidelines for SCAP potential applicants under the 3rd Call for proposals intended for aggregators and agribusinesses**

# Background

# The Serbia Competitive Agriculture Project (SCAP), a US$50 million investment, was approved by the World Bank in December 2019 and ratified by the National Assembly of the Republic of Serbia in February 2020. The objective of the Project is to improve access to markets and information systems for agricultural producers in Serbia. This will be achieved through a) improving productivity of small and medium scale farmers by strengthening advisory and technical support; b) supporting market access of small and medium scale farmers (including finance and business planning capacity); c) improving government systems to strengthen the enabling environment for all agricultural producers (including capacity building for the Ministry, information systems, and data platform).

# The Project aims to provide financial and technical support to all productive investments in agriculture in Serbia through the national rural development program and will not finance direct payments (subsidies).1 This delimits the scope of Project interventions outside of all IPARD measures that the country has been accredited for or plans to be accredited for and puts it in the center of national rural development program.

# Project Beneficiaries: Small and medium scale agricultural production units (including producers, producer groups, agribusinesses/agro-processors that can provide direct link to smallholder farmers) that has or can have commercial focus and are not covered by accredited IPARD measures. Although large producers will not be directly targeted, the project will also benefit them with the enabling environment it will create through the improvements in information systems and the financial services provided. Small and medium size producers are defined by the economic size of holding expressed in euros of standard output. For the purposes of this project and the context of Serbia, small producers are those with an economic size of up to EUR 8,000; medium producers are those with an economic size between EUR 8,000 and 25,000.

# Project Description: The Project activities are structured into three Components. Component 1) will focus on improving the productive and entrepreneurial capacity of small and medium farmers by supporting business and financial planning for productive investments, as well as supporting market access and strengthening sector competitiveness. Component 2) will focus on improving the capacity of the Ministry of Agriculture, Forestry and Water Management (MAFWM) to provide core public goods for improving sector performance. This includes establishing and information system aligned with EU CAP requirements to enable evidence- based policy making and monitoring of results, enhance market information for stakeholders and build capacity for regulatory roles aligned with EU CAP. Component 3) will focus on project management.

# 1In 2018, the program received 8,000 applications from small and medium scale producers.

# By addressing sector needs at the level of producers (Component 1) and the MAFWM (Component 2), the Project will support a broader policy reform process in the agriculture sector through: i) improved targeting of policy instruments to different typologies of producers, ii) strengthened enabling environment for investment for small and medium agricultural producers, by improving the delivery of services to these productive segments (advisory, financial, information, etc.), iii) improving the monitoring of public resources and their utilization, as well as sector performance. It is expected that this will bring about a significant shift in the utilization of public resources in agriculture from subsidies (direct payments) to rural development investments. The Project is implemented over a period of 5 years starting from December 2019. The Project has been prepared under the World Bank’s new Environment and Social Framework (ESF).

The Project has by now successfully implemented 2 Calls for proposals, whereas 1st call was intended to support primary producers, farmers, in the sector of fruits, vegetables, grapes and flowers; 2nd Call for proposals was targeting primary producers in the livestock, milk, cheese, and honey sectors. Sub-projects maximum value was up to 50,000 EUR, and, the majority of investments were focusing agriculture machinery, smaller investments into renewable energy, innovation, digitalization, etc. However, based on the No objection to GOM and ESMF received by the World Bank on the amendments from the 17th of July 2023, focusing detailed list of eligible investments of potential applicants, scoring list, evaluation and selection criteria for targeted beneficiaries, aggregators and agribusinesses, where the potential sub-projects can be by far more complex and with the maximum value going up to the 400,000 EUR, the need to have a database of so called “reference prices” to support the process of reviewing beneficiary’s documentation and eliminate potential misuse of matching grants has become evident to the SCAP PMT. The approach that has been proposed to be used is aligned with the EU and IPARD funds, where the Managing authority has a database of reference prices for Measure 3, purchase of processing equipment, construction works, renewable energy and environment protection investments, etc.

# Objective of the assignment

# The objective of this assignment is to support the evaluation process, grant contract management, review and approval of proposed budgets for specific eligible investments, in order to prevent any potential misuse of matching grants funds, under the sub-projects of targeted beneficiaries under Call for proposals.

# As it was stated in the Background section of this document, for the majority of investments under the first and second Call for proposals, the reference or unit price was easily determined, compared and checked, whether it was in line with the market prices. However, specifically for the 3rd CfP, where the more complex investments into the processing equipment, renewable energy infrastructure, environmental protection infrastructure, investments into digitalization and innovation activities are foreseen, as well as the investments into construction, adaptation or renovation of buildings and facilities, there is a clear need to support the potential beneficiaries in planning their investments based on reference prices on the market, SCAP team of processors that will be using this database to compare, review and match prices proposed in the business plans of SCAP beneficiaries, and then, later on, during the review and approval process under the implementation of grant procurement processes.

# The results under this assignment will allow SCAP team to reduce the level of any kind of misuse of matching grants to zero.

# Additional benefits of this assignment include support to the implementation of IPARD measures, which represent one of the measures of scaling up the funds provided by SCAP, as well as the capacity building and assistance to SCAP beneficiaries by introducing to them procedures that are aligned with the IPARD procedures.

# Scope of Services

# It is expected from the Company/Consultant to perform the following tasks and activities, not limited to the list provided bellow:

# Perform an insight into the existing procedure for obtaining market offers, compare it with the procedure described in Manual DAP02-03 and point out deviations, if identified;

# Perform an insight into the existing market research procedure, compare it with the procedure described in Manual DAP02-03 and point out deviations, if identified;

# Perform an insight into the existing procedure for obtaining data on reference prices by institutions, compare it with the procedure described in Manual DAP02-03 and point out deviations, if identified;

# Check the procedure for calculating the reference price, based on hypothetical test data, compare it with the procedure described in Manual DAP02-03 and point out deviations, if identified;

# Perform an insight into the existing procedure of entering prices into the reference price database, and point out deficiencies in the procedure, if identified;

# Perform a comparison of prices obtained from independent market sources against reference prices in the current frozen base and identify differences, if significant;

# Determine price ranges for each item from the database by applying appropriate valuation methods and using data from independent market sources;

# Perform an insight into the existing procedure of amending/adding in the base of reference prices and point out shortcomings in the procedure, if identified;

# Perform an insight into the process of making reference prices by the institutions and point out shortcomings in the process, if identified;

# Matching reference prices with the list of eligible investments in line with the GOM and ESMF;

# Preparing relevant guidelines for SCAP potential beneficiaries, for SCAP contracted beneficiaries, SCAP processors, and SCAP grant procurement unit, in order to support market based planning of investments in line with reference prices.

1. **Deliverables**

# The selected Company/Consultant shall prepare and deliver the following documents in the corresponding stages of the assignment:

|  |  |  |  |
| --- | --- | --- | --- |
| No | Name of the report | Short description | Timeline |
| 1 | Inception report | The Inception Report will serve as an initial assessment of the current procedures for obtaining market offers, market research, data on reference prices, and the calculation of reference prices. It will outline any identified deviations from the established Manual DAP02-03 procedures. This report will set the stage for the project, providing a comprehensive understanding of the existing processes and areas that require attention. | Up to 15 days after the contract signing |
| 2 | Report on audited reference prices | This report will detail the findings from auditing the procedures for obtaining and calculating reference prices. It will identify any deviations from the prescribed Manual DAP02-03 processes. The report will serve as a critical document for ensuring accuracy and reliability in the reference price database, contributing to more informed decision-making within the organization. | Up to 30 days after the contract signing |
| 3 | Draft report on Guidelines for SCAP | The Draft Report on Guidelines for SCAP will document the process of evaluating and improving existing procedures, such as amending/adding to the reference price base and making reference prices. It will also include an analysis of the alignment of reference prices with eligible investments. This draft report will provide a foundation for the development of guidelines that will support market-based planning for SCAP beneficiaries and stakeholders. | Up to 45 days after the contract signing |
| 4 | Final report on Guidelines for SCAP | Building upon the Draft Report, the Final Report on Guidelines for SCAP will present refined and well-documented guidelines for SCAP potential beneficiaries, contracted beneficiaries, processors, and the procurement unit. It will incorporate feedback and adjustments from stakeholders and experts. These guidelines will empower stakeholders to plan investments in accordance with reference prices, promoting transparency and efficiency in the decision-making process. | Up to 60 days after the contract signing |

# The selected Company/Consultant shall be paid the lump sum contract amount linked to the defined deliverables.

1. **Reporting and payment terms**

The Company/Consultant will be work under the authority of the MAFWM/Directorate for Agrarian Payments and will report to the Project Coordinator on a regular basis on the progress of the Project implementation. Reports should be submitted on time with all necessary information and provide predictive analysis for specific issues. The reports and deliverables will be submitted in both Serbian and English, language, sent via email along with 2 hard copies for approval to the MAFWM. All reports shall be approved by the Project Coordinator and Grant Procurement Specialist.

1. **Qualifications**

The Company/Consultant is to meet the following requirements:

* Shall be registered as a legal entity;
* have at least one project per year, for the last three years, in the sector of agriculture; project has to be from one of the following areas: audit, financial advisory, valuation;
* have at least 10 authorized auditors that are members of the Chamber of Authorized Auditors of the Republic of Serbia;
* have at least 10 auditors with the ACCA title (lists can be overlap);
* have at least 3 employees with international designations relevant to valuation (CFA,ASA);
* have at least two team members that should hold an international qualification relevant to valuation (ASA, CFA, BV-REV) and that are with more than 15 years of experience in valuation work;
* have at least one member of the team that should hold a national real estate appraisal license and some from internationally recognized real estate appraisal licenses (ASA, REV, RICS or others corresponding internationally recognized title).

The service provider must ensure the engagement of qualified experts, as well as the necessary equipment for the necessary works for the achievements of project objectives.

The Company/Consultant shall provide a team of experts covering the following requirements:

Key Expert 1 - Team leader

* at least 15 years of experience in valuation field;
* international designation related to valuation (ASA, CFA)
* at least 1 valuation project in the last 5 years in the agriculture sector
* relevant University degree

Key Expert 2 – Technical team leader

* at least 10 years of experience in valuation of machinery and equipment;
* certified court expert, of the mechanical and technical profession;
* additional training in the field of valuation of machinery and equipment;
* minimum Master’s degree in engineering or technical sciences, higher degree is considered an asset;
* membership of one of the international appraisal bodies association (preferably ASA) will be considered a strong asset.

Other team members

* at least one team member apart from team leader that should hold an international qualification relevant to valuation (ASA, CFA, BV-REV) and with more than 15 years of experience in valuation field;
* at least one member of the team that should hold a national real estate appraisal license and one of internationally recognized real estate appraisal licenses (ASA, REV, RICS or others corresponding internationally recognized title).

Key experts must provide adequate proof for all of the requirements presented and a statement of availability for the tasks.

1. **Logistic and timing**

# 7.1 Location

# The Consultant is expected to work from their own home office, while all meetings and events must be carried out in the Republic of Serbia. On-line meetings can also be held, but only upon prior agreement with the Contracting Authority.

# 7.2 Start date and period of implementation

# The tentative start date is October 1, 2023, and the period of implementation of the contract will be from the contract signature by both parties until finalization of the project implementation in November 30, 2023.

# Project implementation is expected to last 2 months.

1. **Selection**

The Consultant/Company will be selected in accordance with CQS method set out in the World Bank’s Procurement Regulations for IPF Borrowers (July 2016, revised November 2017, August 2018 and November 2020).

**Expressions of interest will be evaluated based on the following criteria:**

|  |  |
| --- | --- |
| Specific experience of the Consultant/Company | 40 points |
| Qualifications of key staff  | 60 points |
| **TOTAL:** | **100 points** |