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 5

5.1. Location 5

5.2. Start date & period of implementation 5

6. REQUIREMENTS 5

6.1. Personnel 5

6.2. Office accommodation 8

6.3. Facilities to be provided by the Contractor 8

6.4. Equipment 8

6.5. Incidental expenditure 8

6.6. Lump sums 9

6.7. Expenditure verification 10

7. REPORTS 10

7.1. Reporting requirements 10

7.2. Submission & approval of reports 11

8. MONITORING AND EVALUATION 11

8.1. Definition of indicators 11

8.2. Special requirements 11

# BACKGROUND INFORMATION

## Partner country

Montenegro

## Contracting authority

EU Delegation to Montenegro

## Country background

On the economic criteria, Montenegro has made good progress and is moderately prepared in developing a functioning market economy[[1]](#footnote-1). After experiencing a sharp recession in 2020, the economy recorded a strong rebound in 2021 and kept growing at a steady pace in the first half of 2022 as the removal of COVID-19 restrictions raised domestic and external demand. To support citizens and the economy, national authorities implemented several economic support packages. These measures were of a temporary character. In spite of delays, the government continued implementing part of the envisaged reforms to improve the business environment.

Montenegro has made some progress and is moderately prepared to cope with competitive pressure and market forces within the EU. In addition, the low value added of domestic products, the small size of local companies and low level of participation in exports represent obstacles for increasing the productivity and competitiveness of local firms.

On enterprise and industrial policy instruments, the implementation of different programmes for the development of entrepreneurship and private sector continued under the overarching Programme for Improving the Competitiveness of the Economy. The financial allocations were reduced in 2021 because of the phase-out of temporary COVID-19 support and amounted to EUR 3 million overall. Ministry of Economic Development and Tourism launched Programme for Improving the Competitiveness of the Economy for 2022 with the total budget of EUR 4 million. Businesses were consulted prior to the adoption of the Programme, and the whole application process was digitalised. A single on-line portal for SME support (Single Access Point; www.biznis.gov.me) was launched in June 2022, which will provide all necessary information and contacts regarding advice and assistance for businesses. As of May 2022, 410 public services were available on the e-government Portal, of which 99 were interactive and 311 informational. Due to recent cyber-attack on the government servers, the portal is not fully operational. One of the recommendations made is referring to continuation of implementing digital services for micro, small and medium enterprises and prioritise the development and implementation of interactive e-government platform for transactional electronic services.

Concerning SMEs, EC sees simpler approach to financing as crucial for increasing competitiveness with particular emphasis to increase of exports. According to the **Small Business Act (SBA)** economy profile accompanied by *SME Policy Index 2022[[2]](#footnote-2): Western Balkans and Turkey*), Montenegro has made progress in implementing the Small Business Act (SBA) since the publication of the previous report – the SME Policy Index: Western Balkans and Turkey 2019. The economy continues to provide an environment conducive to business and is receptive to the needs of small and medium-sized enterprises (SMEs). Montenegro has achieved its highest average scores in the following areas: entrepreneurial learning and women entrepreneurship; institutional and regulatory framework for SME policy making; support services for SMEs; public procurement; and SMEs in a green economy, where it also outperforms the Western Balkan and Turkey’s average.

It is expected that the tourism sector will continue with recovery in the next medium-term period, while the recovery of public and private investments is also expected as the pandemic fades-out. In the longer run, Montenegro has a sizeable potential for growth not only in tourism sector, but also in energy sector, agriculture, and ICT sector.

Against the challenges Montenegro is facing on its path to sustainable development and growth, while adhering to five key principles the Government is basing its work on (Rule of Law and Equal Opportunities, Sound Finances and Economic Development, Health and Healthy Living Environment, Education and Knowledge-based Society, and Digital Society), the strategic objective of Montenegro for the next period is to design and implement digitally based, greener, stronger, and more resilient economic recovery and growth, by diversifying the economy. To that end, Economic Reform Programme 2022-2024[[3]](#footnote-3) sets an ambitious, but also a realistic set of reforms and investments, in order to achieve smart, sustainable and inclusive economic growth which will contribute to improvement of quality of life of all its citizens. The process of drafting Economic Reform Programme 2023-2025 is ongoing and it expected to be adopted in February 2023.

According to the Sustainable Development Report 2021[[4]](#footnote-4), the significant challenges remain for Montenegro and removing obstacles to competitiveness of the Montenegrin economy is an important prerequisite for sustainable and inclusive economic growth and is crucial for reaching the sustainable development goals (SDGs).

The new methodology for measuring transitional progress towards sustainable economy[[5]](#footnote-5) by EBRD categorizes Montenegrin economy as a country with a moderate transitional gap with the 5.4 scale rate. According to this assessment, Montenegro should make further improvements to competitiveness, green economy and good governance

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BAS is a very important means of supporting the development of SMEs, which are known to create employment, generate income and contribute to economic development and growth. Employment and income generation are particularly important as far as impoverished less developed areas, vulnerable communities and groups are concerned. In this sense, supporting BDS is an important means of achieving the Sustainable Development Goals.

## Current situation in the sector

Small and medium-sized enterprises (SMEs) play a crucial role in Montenegrin economy. They account for 99% of total number of enterprises in Montenegro generating approximately 60% of GDP and providing 60% of employment. Nevertheless, the SMEs sector in Montenegro faces many weaknesses, which prevent it from developing its full potential in terms of employment, productivity and value added. Although access to finance remains a key obstacle to the development of the SME sector, lack of competitiveness is another key challenge, with SMEs being up the wall by the lack of management skills, technical and operational expertise and sound corporate governance.

The main challenges MSMEs are facing in Montenegro are: lack of product development and innovation, lack of access to affordable finance, lack of skills and available advice to run more effectively their businesses, including in areas such as cash and financial management. Limitation in management in particular related to financial management, is one of the major impediments to private sector growth. Significant progress has been achieved in inventiveness for development of MSME, however assessments resulting from communication with the European Commission and feedback received from MSMEs sector, indicate the need for further improvement of MSMEs development policies by (i) further improvement of the business environment; (ii) cooperation between all institutions at the national and local level, including the enhancement of the institutional framework for the support to SMEs; and (iii) facilitating the access to SME funds and the use of new instruments; (iv) improvement of competitiveness and innovativeness of enterprises by facilitating the acquisition of different types of knowledge and skills by the management and employees and close cooperation of SMEs with research and development centres; (v) implementation of specific, targeted SME support programmes in accordance with their expressed needs (certification of quality standards, technology transfer, e-commerce development, promotion and development of new products and services, development of supply chain and clusters, strengthening the access to foreign markets, etc.); (v) promotion of entrepreneurship within specific target groups (women, youth).

The development of the private sector requires a suitable financial framework for SMEs access to funding models in accordance with the real needs. In Montenegro, although the financial assistance to SMEs is available through several credit lines of the Investment Development Fund (IDF)[[6]](#footnote-6), commercial banks and through the microfinance lending facilities in Montenegro, access to finance needs to be continuously improved. Business angels' funding and venture capital funding are practically non-existent. Loans arising from the few microfinance-lending facilities are scarce and expensive. The use of equity financing for innovative start-ups and SMEs is at starting point and readiness of companies in using this financial instrument is not recognized and implemented. [[7]](#footnote-7) Support for the MSMEs will focus on further improvements of the possibility to provide financial assistance for strengthening innovation, grouping clusters, introducing international standards and strengthening support for setting up enterprises and ensuring smooth business development.

Delivery of business services and promoting cooperation and business connectivity among SMEs through clustering and networking can facilitate adoption of innovative standards and increase competitiveness in particular through assisting access to international markets. On the regional level, Western Balkans Chamber Investment Forum (WB CIF) is platform for cooperation and collaboration between all chambers of economy of the region focused on removing obstacles to economic regional integration and sustainable development of the Western Balkans in the context of the EU integration. The Office of the Secretary General of the WB CIF at the Chamber of Economy of Montenegro was opened in 2019 in order to enhance development of the competitiveness of the regional economy through the inter-chamber actions, cooperation and alignment of activities by offering specific products to the companies, which would stimulate their operations, joint projects and business internationalization.

The main constraints to SME development in Montenegro: lack of a robust institutional environment for SME policy making (lack of an SME-dedicated institution/agency); legal and regulatory bottlenecks for access to finance (high collateral requirements and limited sources of finance beyond large state-owned banks); and limited enterprise skills and support services for SMEs and start-ups (lacking a concerted and strategic, market-oriented approach).

SMEs are crucial for an inclusive economy: they drive job creation, economic growth and contribute to a stable social environment. However, they also face specific challenges, such as difficult access to finance and heavy regulatory burdens. To address these and other market failures affecting small and medium enterprises, governments should recognise SMEs as an important target of their economic policies and put in place specific mechanisms to create favourable conditions to foster enterprise creation and growth.

In the last few years, the Ministry of Economic Development and Tourism (MEDT) has increasingly supported private sector participation in the economy and has taken steps to develop a comprehensive SME support policy.

Online platform biznis.gov.me has been made in purpose to remove administrative burdens for businesses by introducing electronic interfaces to facilitate interaction with government bodies and all relevant actors.

Directorate for competitiveness enhancement covering services for entrepreneurs to develop their business cap abilities and takes responsibility for overall coordination and implementation of SME support measures.

A large number of providers offer a wide range of BDS to entrepreneurs in Montenegro, but support is scattered across various public/private provision is not co-ordinated by a single entity in charge of SME policy, and public support is rarely targeted to SME needs. A dedicated business support infrastructure for SMEs exists but faces a series of challenges and market failures.

## Related programmes and other donor activities

So far, priorities related with enhancement of business environment and private sector development are addressed under project IPA 2014 Enhancement of Business Environment and Competitiveness of Private Sector of Montenegro. This project provided targeted support for enhancement of governance and strategic planning in SMEs development, research, innovation and preparation for further direct financial assistance to the private sector under IPA 2016. This project supported the elaboration of a study on identification of the main areas for implementation of grant schemes for SMEs and clusters (e.g. quality standards, innovations), as well as implementation of pilot competitiveness grant schemes. As a continuation of this project, based on the results of the study and the competitiveness grant scheme under IPA 2016 will be implemented to support development of SMEs and clusters.

The European Bank for Reconstruction and Development (EBRD)[[8]](#footnote-8) is joining forces with the European Union (EU) and Montenegro’s MEDT to help small and medium-sized enterprises (SMEs) in Montenegro with their access to know-how in order to develop their competitiveness.

The €1.75 million-project “Supporting Entrepreneurship through Advisory Services and Information Services for SMEs” is co-funded by the EU and the Government of Montenegro through the Instrument for Pre-Accession Assistance (IPA) and implemented by the EBRD in partnership with Montenegro’s Ministry of Economic Development which is the beneficiary of the project. The €1.4-million-euro funding is provided by the EU (IPA) and the Government of Montenegro, while the remaining is SME client contribution and EBRD.

This project is being implemented under two components. Component 1 focuses to help enterprises improve their competitiveness, strengthen human capital and expertise, introduce new and innovative technologies and business processes and thereby prepare companies to obtain finance, through tailored made advisory projects, trainings for local consultants to increase the quality of their services, and other activities that are planned to be jointly implemented with the MEDT to strengthen SME support structure at national level. Component 2 aims to provide knowledge-transfer to the MEDT via seminars, workshops, trainings, sector development activities and visibility events. Priority areas will include capacity building in for SMEs governance and expertise and preparation for the MEDT to become potential partner institution to be involved in joint activities with EBRD.

The Bank’s Advice for Small Businesses Team will leverage its extensive network of international advisers and local consultants to design projects around SMEs’ needs with a view towards improving their productivity in a wide range of business areas, including digitalisation and digital transformation, financial management, environmental protection and others.

On the other hand, under the Investment Climate and Governance Initiative, we will focus on strengthening the capacity of the MEDT to better serve SMEs through policy development and enhancing SME support programmes, whereas the project also aims to set up a digital one stop shop web portal that will have all relevant information for SMEs and enable them to apply online for incentives.

On November 2015 the CKB and the EIF also signed the first COSME agreement consisting in a loan guarantee for the Competitiveness of Enterprises and Small and Medium-sized Enterprises which provide EUR 30 million of loans to SMEs over the three years to 2018. However, effective working structures still need to be created to help Montenegrin applicants prepare their applications for EU funding under the COSME programme.

# OBJECTIVES & EXPECTED OUTPUTS

## Overall objective

The overall objective (Impact) to which this action contributes is:

To strengthen the economic competitiveness of private sector in Montenegro.

## 2.2 Specific objective(s)

The specific objectives (Outcomes) of this contract are as follows:

Outcome 1: Establishing Business Development Services (BDS) for SMEs

Outcome 2: Ensuring efficient absorption of EU financing programmes for SMEs

## Expected outputs to be achieved by the contractor

The expected outputs of this contract are as follows:

Outcome 1: Establishing Business Development Services (BDS) for SMEs

Output 1 to Outcome 1: Analysis of existing institutional and other relevant stakeholders providing advisory services for SMEs and Guidance for development BDS prepared

Output 2 to Outcome 1: BDS established and functional, providing vide set of advisory services

Output 3 to Outcome 1: Mechanism for coordination, monitoring and evaluation of services for SMEs improved

Output 4 to Outcome 1: Single Access Point biznis.gov.me upgraded

Outcome 2: Ensuring efficient absorption of EU financing programmes for SMEs

Output 1 to Outcome 2: Supporting MEDT and other beneficiary institutions in programming, implementation, monitoring and evaluation of EU funded projects

Output 2 to Outcome 2: Building capacities for planning and implementation of EU funded projects

# ASSUMPTIONS & RISKS

## Assumptions underlying the project

Full commitment and support to the development of the process by the responsible institutions/stakeholders and the Government on the competitiveness and innovation strategy.

Developed services are corresponding to enterprises’ needs

National stakeholders are committed to ensure sustainability of the facilities and services

Sufficient number of staff involved in the activities of the Action

Adequate coordination of the institutions and stakeholders involved

## Risks

During the entire process of activities of the Action, certain risks may occur and concrete actions may be needed in order to mitigate possible negative outcomes. Along the following lines, risks with higher level of occurrence and risks with the highest impact are presented:

* Issues of Competitiveness, innovation fall under the responsibilities of several ministries and agencies and the coordination and policy steering capacities in this area are weak;
* Wide fragmentation of strategies adopted and; lacking of calculation of costs of implementation and performance indicators to measure progress against objectives;
* External shocks and developments in the international economy;
* Lack of political support, decision making and leadership;
* Lack of human resources and administrative capacities for strategic planning as well as project preparation and implementation.

# SCOPE OF THE WORK

## General

### Project description

This project/service contract should be designed in a form of an integrated package of assistance for achieving continuous improvement and help the growth and sustainability of the Montenegrin SMEs for national business support services for SMEs in many areas in order to achieve continuous delivery of advisory services for improvement of business performance of MSMEs.

Micro, small and medium-size enterprises (MSMEs) require two types of services: (i) financial services and (ii) non-financial services - more commonly referred to as "business advisory services" or by the acronym "BAS". Financial services help existing or would-be entrepreneurs acquire the means for establishing or expanding a business (e.g. finance for machinery, production premises, and working capital). In the majority of cases, these services refer to bank loans or credit made available through wide-ranging credit schemes. In recent years, different types of financial services have been offered to MSEs.

Business development services (BDS) refer to the provision of information, knowledge and skills, as well as advice on the various aspects of a business.

BDS are provided to help owners of enterprises get new ideas on how to improve their business through, for example, increasing productivity, reducing production costs, or accessing a more profitable market. These services include the transfer of information in various forms through, for example, consulting services or special events (e.g. exhibitions and trade fairs). BDS may also be required for the establishment and operation of an enterprise. Services required in this instance may include legal services (e.g. registration of the enterprise), training of owners and workers, special laboratory services for testing goods produced by the enterprise, and assistance in arranging contracts with larger firms. Direct operational support for short term assistance: help with business plan, loan application, marketing or international trade. Mentoring and coaching, opportunity for a firm to learn by doing from a successful firm. Advisory and training. Undertake studies for feasibility, market analysis or business plan. Advocate and advises the public sector on the formulation of policies and strategies that are business friendly to SMEs (including improvement of regulations). Collate and disseminate information.

The project also focuses on improving cooperation between stakeholders at the national and local level dealing with SMEs.

Further on, support will be provided to the MEDT and other beneficiaries institutions in programming, implementation, monitoring and evaluation of EU-funded projects. Also strengthening institutional and human capacities at national and local level to participate in the project funded by EU. One line of activities will provide technical assistance to the beneficiary institutions in the management of grant schemes and in the preparation of tender documents.

At the national level, the MEDT is strongly dedicated in providing horizontal advisory services for SMEs, in particular through direct dialogue with representatives of SMEs that still face many obstacles to development. Former Agency for Development of SMEs and later Direction for Development of Small and Medium Sized Enterprises (DDSME) has been restricted and merged into the former Ministry of Economy, following the process of the public administration optimization and recommendations within the Public Administration Reform Strategy 2016 - 2020, in December 2017.

Having in mind that there is no operating national agency for SMEs in Montenegro, presently the MEDT through their activities provides advisory services and financial support for SMEs. The MEDT is the focal point for delivery of business advisory services to companies. Key functions performed by MEDT include, but are not limited to:

* Policy creation aimed at supporting and improving the overall investment processes in Montenegro;
* Project coordination, monitoring, control and reporting and other project-related functions for various EU funded projects/programs;
* Cooperation with local and national government institutions on programs that provide non-financial and financial support for starting and developing businesses;
* Development of national strategies for reforms and enhancements of the overall business climate, primarily focusing on SMEs;
* Provide inter-ministerial coordination and participate in development of new and amendment of existing legislation and regulations associated impacting the business environment;
* Communication and networking with international institutions and agencies to enable and increase investments;
* Design, and implementation of other measures that support SMEs;
* Providing advisory support, assistance and knowledge sharing through direct communication with SMEs.

The Directorate for competitiveness enhancement provides financial and non-financial support through the *Programme for enhancement of competitiveness*, an integrated package of thematic programme lines designed for SMEs.

Evidently, MEDT alone cannot address wide challenges that SMEs face, only through financial and non-financial assistance under the *Programme for enhancement of competitiveness*. Additional services for business development need to be continuously developed and improved in order to target better the actual needs of SMEs and the private sector as a whole.

The second component of the project focuses on enhancing institutional and private sector capacities for absorption and management of EU funds. The following objective will be fulfilled through capacity building programmes, mentoring support, promotional activities and other activities related to EU project management.

Directorate for European Integration and EU funds is in charge for planning, implementation and monitoring of implementation of programmes/projects in the field of competitiveness, economic development, innovation and regional development funded from the EU pre-accession funds (Instrument for Pre-Accession Assistance - IPA) and other EU and international funding sources; preparation of documentation for the use of IPA and other EU funds within the MEDT and institutions within its jurisdiction; drafting of tender documentation and ensuring the implementation of public procurement procedures and contracting in cooperation with Body; providing information to bodies within the IPA structure relating to performing business and implementation of the action; providing regular public information about activities within the IPA and other EU funded programme.

### Geographical area to be covered

Montenegro

### Target groups

Micro, small and medium sized enterprises

Entrepreneurs

Start-ups

Ministry of Economic Development and Tourism

Local authorities in municipalities

Business support organisations

Chamber of Commerce

## Specific work

Outcome 1: Establishing Business Development Services (BDS) for SMEs

* 1. Analysis of existing institutional structure and other relevant actors providing advisory services for SMEs with guidance for development of future BDS provider structure
     1. Analysis of existing institutional structure and other relevant actors providing advisory services for SMEs (business support organisations, local business info centres, etc.)
     2. Guidelines for development of BDS structure in Montenegro in line with best practices in EU
     3. Providing recommendations for establishment of future structure that will be used for management of Structural Funds
     4. Developing criteria and quality standards for regional BDS
  2. BDS help-desk established and functional, providing vide set of advisory services
     1. Defining roles and responsibilities of BDS help-desk staff
     2. Expanded scope of providing information and assistance in support to MSMEs
     3. Study visit of BDS staff to similar service provider in the region or EU country
     4. Training Need Analysis (TNA) for BDS, including LSGUs staff
     5. Developing tailor made training programmes
     6. Capacity building of BDS, LSGUs staff and other relevant actors
     7. Developing system for analysing MSME skills and training needs
     8. Advisory and training, help with business plan, loan application, marketing, international trade
     9. Mentoring and coaching, opportunity for a firm to learn by doing from a successful firm
     10. Advisory services in BDS to provide permanent support for all SMEs in the area of Intellectual Property Rights (IPR)
  3. Mechanism for coordination, monitoring and evaluation of services for SMEs improved
     1. Conducting impact assessment of two IPA 2020 grant schemes[[9]](#footnote-9) on SMEs
     2. Providing recommendations for efficient coordination with local self-government units (LSGUs) in the area of business development services
  4. Single Access Point biznis.gov.me[[10]](#footnote-10)upgraded
     1. Providing recommendations for enhancing visibility and communication with business community
     2. Upgrading portal features with new types of services for MSMEs
     3. Integrating BSD help-desk services with biznis.gov.me
     4. Training for BDS, LSGUs staff and other relevant actors on content creating and administration of portal
     5. Raising awareness on the benefits of SAP with the focus on EU support for SMEs

Outcome 2: Ensuring efficient absorption of EU financing programmes for MSMEs

* 1. Supporting MEDT and other beneficiary institutions in programming, implementation, monitoring and evaluation of EU funded projects
     1. Providing technical assistance to the PIUs MEDT and beneficiary institutions in the preparation of tender documents for IPA III
     2. Training and mentoring support in implementation and reporting of EU funded programmes/projects (Interreg CBC programme, for instance)
     3. Providing mentoring support for PIU MEDT for monitoring and evaluation of grants
     4. Capacity building of IPA III Working group on ESIF[[11]](#footnote-11) governance system
     5. Organisation of study visit to similar project implementation unit in EU member state
  2. Building MSMEs capacities for planning and implementation of EU funded projects
     1. Raising awareness on usage of EU support mechanisms for MSMEs
     2. Preparing and delivering tailor-made trainings for MSMEs for project cycle management and development of project proposals, with guidance on basic principles of project evaluation
     3. Providing workshops for the MSMEs on implementation of IPA projects including administrative procedures, reporting requirements, secondary procurement rules, monitoring requirements, financial management issues, etc.

## Project management

### Responsible body

The EU Delegation to Montenegro shall be responsible for managing this contract.

### Management structure

The EU Delegation to Montenegro as a Contracting Authority will be supervising the implementation of the contract. A sector manager of the Operations Section will be the main contact point at the EU Delegation for all contract implementation related issues, including approval of non-key STEs and the use of the incidental expenditure costs as defined in article 6.5 of these Terms of reference.

Implementation of the proposed project will be undertaken in close co-operation with the Ministry of Economic Development and Tourism, Chamber of Commerce, local selfgovernment Units and other relevant institutions and stakeholders where appropriate.

As a primary contact point for the implementing consortium, the Ministry of Economic Development and Tourism (MEDT) will coordinate all activities and liaise with other government bodies in context of the project. The MEDT should establish a task force/working group for this purpose. This group may fulfil the role of a supervisory board of the project. Permanent consultation with Montenegrin parties on planning and implementing all project activities is a fundamental pre-condition of successful project implementation.

The Contractor shall ensure gradual and effective transfer of ownership of all outputs (deliverables) to the Montenegrin party. The relevant matters, including the expected quality, expected periods of transfer, role of the Montenegrin beneficiaries etc, must also agree with the key relevant bodies in the management structure as listed above.

The Contractor shall be responsible for the day-to-day management of this contract and mobilization of the experts. Plans for the mobilization of the experts will be subject to the project work plan established jointly by the Contractor and the Beneficiary and approved by the Contracting Authority.

A Project Steering Committee (PSC) from the representatives of the Beneficiary and representatives of other stakeholders, Contracting Authority and the Contractor should be established no later than three months after the commencement of the project. It is expected that SC will meet at least twice a year - within maximum 6-month intervals. The representative of the Beneficiary shall chair the meetings and the Contractor shall ensure proper functioning of the meetings, including the preparation of the agenda, minutes, logistics, translation, etc. PCS’s s aim is to analyse and discuss the strategic direction of the project and will make proposals on any corrective action to ensure the achievement of the objectives of the action and enhance its efficiency, effectiveness, impact and sustainability.

The main functions of the SC are:

• Assessment of contract progress and guiding it on a strategic level;

• Assessment of the performance of the Contractor;

• Monitoring, assessment and management of risks;

• Overseeing any critical points of the contract implementation;

• Proposing remedy actions in case of problems;

• Recommendations that affect timing, cost or contents;

• Reviewing, discussing and approving the Contractor’s reports.

The final composition of the Steering Committee shall be decided during the Inception phase.

The Contractor will present the results and all reports at the meetings of the PSC. The PSC will meet and review the contract progress according to the schedule established at the beginning of the project.

Regular monthly meetings are to be organised by the Contractor's team with the participation of the beneficiaries and EUD with the purpose to discuss the progress of project implementation. It is expected that sector manager will receive minutes of such meetings in a routine way and be informed on all major project events.

Specific coordination and reference groups may also be formed and chaired by the project in some or all of the fields of work concerning the different project components/technical areas. Such groups would represent key stakeholders in the respective areas and, by meeting at more regular intervals, assist the project in detailed planning and delivery of specific activities.

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

The Beneficiary (-ies) shall provide assistance to the Contractor as necessary to arrange visas for expatriate personnel and temporary residence permits as required by the relevant legislation.

The project beneficiaries and the project partners will have to:

• Ensure that the required staff will be available to work alongside the experts;

• Provide necessary support in the project implementation and facilitate the work with the public administration;

• Provide required copies of legislation, regulations, studies, reports and other relevant documents necessary for the implementation of the project, upon request by the Contractor;

• Provide assistance in the selection of trainees and training participants;

• Support the adoption of necessary governmental and ministerial decisions in order to ensure progress with procedures, staffing etc.;

• Provide all possible assistance to solve unforeseen problems that the Contractor may face.

# LOGISTICS AND TIMING

## Location

The operational base for the project will be Podgorica, Montenegro. Key and non-key experts, however, may travel to different municipalities for further activities, dissemination or verification of project results.

## Start date & period of implementation

The intended start date is August 2023 and the period of implementation of the contract will be 24 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

## Personnel

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 have a crucial role in implementing the contract. These terms of reference contain the required key experts’ profiles. The tenderer shall submit CVs and statements of exclusivity and availability for the following key experts:

**Key expert 1: Business Development expert**

Qualifications and skills

* University degree (where a degree has been awarded on completion of four years study in a University or equivalent institution) or at least 8 years of additional experience on top of that indicated under General professional experience below;
* Master and/or PhD degree will be considered as an asset;
* Proficient knowledge of English;
* Knowledge of local language will be considered as an asset.

General professional experience

* At least 10 years of professional experience related to business development and/or entrepreneurship.

Specific professional experience

* Experience in establishing and developing at least one BDS in EU accession country(-es) and/or EU Member State(s);
* A team leadership experience in at least one EU-funded project in the fields of ‘Business Development’ and/or ‘EU funds management’ within the last five (5) years;
* At least 4 years of experience in the institution/body supporting SMEs development in the EU accession country(-ies) and/or EU Member State(s);
* Experience in development and delivery of training programmes for SMEs will be considered as an asset.

**Key expert 2: EU funds management expert**

Qualifications and skills

* University degree (where a degree has been awarded on completion of four years study in a University or equivalent institution) or at least 8 years of additional experience on top of that indicated under General professional experience below;
* Master and/or PhD degree will be considered as an asset;
* Proficient knowledge of English;
* Knowledge of local language will be considered as an asset.

General professional experience:

* At least 10 years of professional experience related to IPA and/or ESIF.

Specific professional experience:

* At least 7 years of professional experience in programming and/or implementation of IPA and/or ESIF projects;
* Experience in providing capacity building support for the national administration/s in the EU accession country(-ies) and/or EU Member State(s) in programming and implementation of IPA and/or ESIF projects in the fields of ‘Business Development’ and/or ‘EU funds management’;
* Experience in development of institutional framework in process of transition from IPA to ESIF.

All experts must be independent and free from conflicts of interest in responsibilities they take on.

All experts must spend at least 60% of their working days in Montenegro.

### Non-key experts

CVs for non-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 must select and hire other experts as required according to the profiles identified in the organisation & methodology and/or these terms of reference. It must clearly indicate the experts’ profile so that the applicable daily fee rate in the budget breakdown is clear. All experts must be independent and free from conflicts of interest in the responsibilities they take on.

The selection procedures used by the contractor to select these other experts must be transparent, and must be based on pre-defined criteria, including professional qualifications, absence of conflict of interests, language skills and work experience. The findings of the selection panel must be recorded. The selected experts must be subject to approval by the contracting authority before the start of their implementation of tasks.

Non-key experts must have experience in the following areas relevant to project:

* MSME development
* Intellectual property
* Information and Communication Technologies (ICT)
* EU funds management (IPA and ESIF)
* Other relevant areas

The Contractor shall specify the No. of working days for Senior Experts and Junior Experts and reflect the numbers in the financial offer.

Required general professional experience for the non-key experts is at least 5 years for the senior, and at least 3 years for the junior experts.

### Support staff & backstopping

The contractor will provide support facilities to their team of experts (back-stopping) during the implementation of the contract.

Backstopping and support staff costs must be included in the fee rates.

## Office accommodation

Office accommodation of a reasonable standard and of approximately 10 square metres for each expert working on the contract is to be provided by the contractor:

The costs of the office accommodation are to be covered by the fee rates.

## Facilities to be provided by the contractor

The contractor must 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 that is to be acquired by the partner country must be purchased by means of a separate supply tender procedure.

## Incidental expenditure

The provision for incidental expenditure covers ancillary and exceptional eligible expenditure incurred under this contract. It cannot be used for costs that should be covered by the contractor as part of its fee rates, as defined above. Its use is governed by the provisions in the general conditions and the notes in Annex V to the contract. It covers:

* Travel costs and subsistence allowances for missions, outside the normal place of posting, undertaken as part of this contract. If applicable, indicate whether the provision includes costs for environmental measures, for example CO2 offsetting.
* Exceptional costs related to the organisation of workshops, trainings, seminars, public hearings and consultations outside government facilities and other communication events, including the costs for interpretation. Prior authorisation by the contracting authority for the use of the incidental expenditure is needed;
* Printing necessary documents and materials;

The provision for incidental expenditure for this contract is **EUR 70,000** This amount must be included unchanged in the budget breakdown.

Per diem are daily subsistence allowances that may be reimbursed for missions foreseen in these terms of reference or approved by the Contracting Authority, carried out by the contractor’s authorised experts outside the expert's normal place of posting. The per diem is a maximum fixed flat-rate covering daily subsistence costs. These include accommodation, meals, tips and local travel, including travel to and from the airport. Taxi fares are therefore covered by the per diem. Per diem are payable on the basis of the number of hours spent on the mission. Per diem may only be paid in full or in half (no other fractions are possible). A full per diem shall be paid for each 24-hour period spent on mission. Half of a per diem shall be paid in case of a period of at least 12 hours but less than 24 hours spent on mission.  No per diem should be paid for missions of less than 12 hours. Travelling time is to be regarded as part of the mission. Any subsistence allowances to be paid for missions undertaken as part of this contract must not exceed the per diem rates published on the website - <http://ec.europa.eu/europeaid/funding/about-calls-tender/procedures-and-practical-guide-prag/diems_en> - in force at the time of contract signature.

The contracting authority reserves the right to reject payment of per diem for time spent travelling if the most direct route and the most economical fare criteria have not been applied.

Prior authorisation by the contracting authority for the use of the incidental expenditure is not needed.

## Lump sums

No lump sums are foreseen in this contract.

## Expenditure verification

The provision for expenditure verification covers the fees of the auditor in charge of verifying the expenditure of this contract in order for the contracting authority to check that the invoices submitted are due. The provision for expenditure verification for this contract is **EUR 10,000** This amount must be included unchanged in the budget breakdown.

This provision cannot be decreased but can be increased during execution of the contract.

# REPORTS

## Reporting requirements

Please see Article 26 of the general conditions. Interim reports must be prepared every six months during the period of implementation of the tasks. The narrative report should be based on the monitoring and evaluation system set up in the contract, using the Logical framework matrix (annex b8g) if included in the contract. In the latter case, a narrative report must inform all the results as measured by the indicators defined in the logical framework. The narrative report must be provided along with the corresponding invoice, the financial report and an expenditure verification report defined in Article 28 of the general conditions. There must be a final report, a final invoice and the financial report accompanied by an expenditure verification report at the end of the period of implementation of the tasks. The draft final report must be submitted at least one month before the end of the period of implementation of the tasks. Note that these interim and final reports are additional to any required in Section 4.2 of these terms of reference.

Each report must consist of a narrative section and a financial section. The financial section must contain details of the time inputs of the experts, incidental expenditure and expenditure verification.

To summarise, in addition to any documents, reports and deliverable specified under the duties and responsibilities of each key expert above, the contractor shall provide the following reports:

|  |  |  |
| --- | --- | --- |
| **Name of report** | **Content** | **Time of submission** |
| Inception report | Analysis of existing situation and work plan for the project | No later than 1 month after the start of implementation |
| 6-month progress report | Short description of progress against the achievement of the results as spelled out in the Logframe. The progress report (technical and financial) should include problems encountered; planned work for the next 6 months accompanied by an invoice and the expenditure verification report. | No later than 1 month after the end of each 6-month implementation period. |
| Draft final report | Short description of the achievement of the results as spelled out in the Logframe. The draft final report should include a description of the problems encountered and recommendations. | No later than 1 month before the end of the implementation period. |
| Final report | Short description of the achievement of the results as spelled out in the Logframe. The final report should include a description of the problems encountered and recommendations a final invoice and the financial report accompanied by the expenditure verification report. | Within 1 month of receiving comments on the draft final report from the project manager identified in the contract. |

## Submission & approval of reports

2 paper copies of the reports referred to above must be submitted to the project manager and one to the main Beneficiaries – Ministry of Economic Development and Tourism, identified in the contract. Electronic copy of the reports should be further disseminated to all the other stakeholders. The reports must be written in English and translated in Montenegrin. The project manager is responsible for approving the reports after endorsement by the Beneficiaries.

Prior to approval, the reports shall be discussed in the Project Steering Committee meetings. In case of absence of the comments or an agreement on the text of the report from the Beneficiary within 30 calendar days from the receipt of the report, the reports are deemed to be agreed.

# MONITORING AND EVALUATION

## Definition of indicators

Execution of the Contract will be periodically monitored through reporting under the standard terms of the contract and assessing the progress made in relation to the purpose, activities, results and indicators stated in the job description. The following list of performance indicators has been proposed:

## Analysis of existing framework providing advisory services for SMEs;

## Number of guidance for development of BDS;

* System for analysing MSME skills and training needs developed
* Number of impact assessment of IPA grant schemes conducted
* Single Access Point biznis.gov.me website upgraded, functional and updated;
* At least 3 civil servants able to manage, update and maintain the website;
* Number of persons trained within responsible institutions for providing advisory services for SMEs (Ministry of Economic Development and Tourism);
* At least 70% of the staff in trainings are satisfied and apply acquired knowledge;
* Number of measures that support SMEs;

## Number of provided advisory support, assistance and knowledge sharing through direct communication with SMEs;

## Number of SMEs receiving non-financial support.

## Number of the staff trained on ESIF governance system Number of workshop and training on IPA project management

## Special requirements

N/A

\* \* \*

1. [Montenegro Report 2022 (europa.eu)](https://neighbourhood-enlargement.ec.europa.eu/montenegro-report-2022_en) [↑](#footnote-ref-1)
2. <https://www.oecd-ilibrary.org/docserver/b47d15f0-en.pdf?expires=1673960022&id=id&accname=guest&checksum=FC065EF4038B803AF4EB7D25C18966CE> [↑](#footnote-ref-2)
3. <https://www.gov.me/en/documents/7049c66a-5b87-4102-9d2e-6fde9c24fd5d> [↑](#footnote-ref-3)
4. <https://www.sdgindex.org/reports/sustainable-development-report-2021/> [↑](#footnote-ref-4)
5. The According to the methodology designed by the European Bank for Reconstruction and Development (EBRD) a sustainable market economy must be competitive, well governed, green, inclusive, resistant to external shocks and integrated. According to this methodlogy countries in transition are evaluated on the bases of the six criteria mentioned above on a scale 1 (minimum) to 10 (maximum). [↑](#footnote-ref-5)
6. Investment Development Fund operates several credit lines for direct financing of investment project. The Fund core businesses is established through granting loans and extending guarantees, performing activities pertaining to the sale of capital in Fund’s portfolio and other activities aimed at supporting economic development in Montenegro. [↑](#footnote-ref-6)
7. 2016 WB Financial sector assessment program Montenegro Technical note Finance for Growth, available at: <http://documents.worldbank.org/curated/en/184741521447462800/pdf/124361-PN-P144969-PUBLIC-MNEGenderPolicyNote.pdf>. [↑](#footnote-ref-7)
8. <https://www.ebrd.com/news/2021/ebrd-eu-and-montenegro-enhance-smes-access-to-business-advice-and-information-services.html> [↑](#footnote-ref-8)
9. Grant scheme for supporting the implementation of Smart Specialisation Strategy through projects and Grant Scheme Enhancing the Competitiveness of SMEs through Support for Women and Youth Entrepreneurship [↑](#footnote-ref-9)
10. [Portal za podršku malim i srednjim preduzećima (biznis.gov.me)](https://biznis.gov.me/) [↑](#footnote-ref-10)
11. European Structural and Investment Funds [↑](#footnote-ref-11)