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Projekat za bolje uslove poslovanja
Business Enabling Project

**USAID Business Enabling Project in Serbia
JOB DESCRIPTION AND STATEMENT OF WORK**

Position: Technical Advisor

Employer: Cardno Emerging Markets USA Ltd., Washington DC, Belgrade Representative Office

Component 3: Financial Market Development

Location: Belgrade

SCOPE OF WORK

About the Project

The Serbia Business Enabling Project (“BEP”) is a seven-year USAID-funded project awarded to Cardno Emerging Markets USA, Ltd. to assist the Government of Serbia in strengthening the business environment, fiscal and macroeconomic management, financial market development, and business education throughout the country. It provides long-term technical assistance and other financial support to help advance legal and regulatory reforms, build institutional and professional capacity, and other activities as may be requested by the GoS. The project is organized around three components, each implemented by a resident team of Serbian and international professionals: Component 1 – Business Regulation and Economic Governance; Component 2 – Macroeconomic Policy and Public Financial Management; Component 3 – Financial Markets Development.

BEP Component 3, Financial Markets Development, helps Serbian financial markets increase the competitiveness and affordability of financial services, and develop risk management instruments. This includes technical assistance to help counterparts draft or/and implement new legislation, strengthen their institutional capacity, and help to influence policies that will shape the evolution of the financial sector and its role in economic development.

Background to SoW

The Serbian economy is heavily dominated by micro, small, and medium-sized enterprises (MSMEs). They do not only make up to 99% of the overall Serbian private sector, but they also generate 65% of all jobs in the economy, and create 56% of the gross value added. Even so, there are clear indications that this sector is under-performing. While, on average, SME generate about 52% of GDP in the European Union, they only generate around 32% of GDP in Serbia. The discrepancy is even more evident when compared to leading global economies – in countries like Japan or China, 60% of GDP comes from SMEs, while this percentage rises to 65 in the USA. This, compared to the situation in Serbia, shows that there are possibilities for SMEs to drive economic growth even further.

Although the landscape of the Serbian economy is as it was previously stated, Serbian financial system is not favorable towards MSMEs. Based on the official data from the National Bank of Serbia, commercial banks constitute over 91% of the Serbian financial system. Apart from commercial banks, Serbian private sector does not have many other options for acquiring



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needed funds – leasing, factoring, and almost non-existent micro-financial institutions, provide obscure amounts of funding to MSMEs. This proves to be a significant problem when the behavior of commercial banks is taken into account – commercial banks have become very risk averse in the post-financial crisis period, mainly due to the high rate of non-performing loans. This has driven them to conduct very restrictive lending policies, setting high collateral requirements that majority of Serbian businesses simply can hardly meet, if they can meet them at all.

As it was previously stated, one of the main obstacles that SMEs face is being unable to access appropriate finance needed for further development and growth of their operations, which in turn diminishes their contribution to Serbia's economic growth. This has been recognized as a problem in numerous sources throughout the years. Based on the results of the USAID BEP's Business Survey, an annual survey conducted on a representative sample containing 1.000 companies and sole proprietors, there has been a continuous downward trend in usage of external finance – percentage of respondents that do not use external financing at all has increased to 68% in 2016, up from 31% in 2011. Other sources naming access to finance as one of the leading constraints to a stronger growth of the Serbian economy include European Commission (Progress Report for Serbia 2016), OECD (SME Policy Index), World Economic Forum, EIB, EBRD, and others.

Having previously stated behavior from both banks and the private sector in terms of lending in mind, USAID BEP has been strongly advocating for improving access to finance for MSMEs through broadening the possible financial sources they can use. To this end, USAID BEP plans to enlist a local consultant who will conduct research of the banking sector, requirements that banks impose on MSMEs, and the possibility from MSMEs to meet such requirements. Therefore, the main aim of this research will be to uncover the gap that exists between the demand for finance from MSMEs, and supply of funds from the existing financial institutions in Serbia. Additionally, consultant will use this research to develop a set of recommendations for the Government of Serbia, Ministry of Finance, National Bank of Serbia, and other stakeholders, on how to effectively close the previously determined gap.

This assignment will be a part of the activities of the USAID Business Enabling Projects Component 3 (Financial Market Development). It includes work under Component 3's Objective 4 ("Improving access to finance for small and medium enterprises and entrepreneurs"), Task 2 (Assist the MoE in implementation of recommendations from the White Paper on Access to Finance).

Chosen consultant will work within a team focused on access to finance, which includes three local staff, and is led by the USAID BEP's Financial Market Development Expert.



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Objective

The primary objective of this assignment is to conduct an analysis of the financing gap that MSMEs face in Serbia. This analysis will include detailed analysis of supply and demand for financing, analysis of requirements banks impose on MSMEs and the ability of MSMEs to meet such requirements. Furthermore, an integral part of this assignment will be a set of recommendations on how to effectively close the financing gap.

Tasks

The consultant will conduct analysis, and draft needed reports and recommendations. In doing so, the consultant will work closely with the USAID BEP's Component 3 staff members, and report to the USAID BEP's Component 3 Financial Market Development Expert.

The consultant will perform the following tasks:

1) Conduct the analysis of the supply of funds for the MSMEs

Consultant shall conduct an analysis of the supply of funds for the MSMEs. This will include a thorough analysis of the banking sector, and the current exposure of banks to the MSME sector, relative to 2011. Additionally, this analysis will also include research of the requirements banks impose on MSMEs, including the terms under which banks lend money, the type and value of collateral they require, and other conditions that banks prescribe.

2) Conduct the analysis of the MSMEs capabilities to meet banks' requirements

Consultant will use the previously analyzed supply of funding for the MSMEs and requirements that banks impose on MSMEs, and analyze the capacities of MSMEs to meet such requirements. This will serve to show the gap between the currently available funding for MSMEs, and their capabilities to obtain such funding. Additionally, this part of the analysis will include case studies, which will show how the lack of funding affects Serbian companies. These case studies will be real-life scenarios, in which detailed situations of specific Serbian companies and their inability to access needed funds will be explained.

3) Write a set of recommendations on how to effectively close the funding gap

Consultant will use the previous analyses, and all available information and studies previously conducted by USAID BEP, to draft a set of recommendations on how to broaden the funding sources for MSMEs, thus closing the gap between the amount of funds MSMEs can obtain, and the amount of funds that is available.

Period of performance

The period of performance of this SoW is June 15, 2017 to July 31, 2017. The maximum number of days under this LOE cannot exceed 25 days.



Deliverables

Deliverables under this SoW include:

1. Written report on the financing gap existing in the Serbian market. This includes the results from tasks 1 and 2, as stated above.
2. Written set of recommendations on how to bridge such financing gap, as previously explained under task 3.
3. Written final STTA report/ memo on the performed activities and achieved results.

Technical documentation, including report on financing gap and recommendations, should be prepared in Serbian language. Final STTA report/ memo should be prepared in English.

Drafts of all deliverables must be submitted to USAID BEP Task Management teams in accordance with the previously provided schedule. The final report/ memo should be provided within ten working days following the end of the period of performance.

To Apply

1. Requirements for eligible candidates:

- a. Advanced degree in Economics or Finance, with more than 10 years of experience in the field of financial market
- b. Minimum 8 years in financial consulting for small and medium enterprises in Serbia.
- d. Excellent communication and presentation skills.

2. Applications including CV clearly showing adequate technical background and relevant work experience should be sent by e-mail to: info@bep.rs, by June 2, 2017 CoB (Close Of Business - day). Only short-listed candidates will be contacted.