

TERMS OF REFERENCE
FOR
Partner Company – Credit Rating Agency

Background

The International Bank for Reconstruction and Development has granted a USD 30 million loan to the Republic of Serbia (hereinafter: RoS) to support the reform of capital markets through the implementation of the Catalyzing long term finance through capital market project (hereinafter: The Project).

The Financial System Department of the Ministry of Finance (hereinafter: MoFFS) is the entity responsible for all technical aspects of the Project implementation. The Project will be built upon the MoFFS's successful experience in implementing previous World Bank Group projects.

Given the specific nature of the Project, the MoFFS will be closely working with the Republic of Serbia Securities Commission (hereinafter: SSC), Central Security Depository and Clearing House (hereinafter: CSD), Belgrade Stock Exchange (hereinafter: BELEX), and other relevant institutions on the implementation of this Project in order to properly align it with regulatory requirements prescribed by the law.

The Project will be governed by a Stakeholder Committee with the operational activities performed by a dedicated Taskforce appointed by the MoFFS.

In order to efficiently implement all planned activities additional professional support will be required and engaged throughout the Project lifecycle.

Objectives of the Project

The Project's overall objectives are the development of the legal, regulatory and economic environment under which the capital markets operate, and to deepen the corporate bond market, including green and other thematic bond issuances. The Project is structured around two main components: Component 1 - Institutional, Legal and Regulatory Reforms and Component 2 - Corporate Bond Issuance.

Strengthening the capital market institutions, particularly the SSC, CSD, and BELEX by aligning them with the relevant international standards is the focus of Component 1.

Component 2 will be focused on expanding the supply side and the corporate bond issuer base (issuing more corporate bonds and/or other non-government securities instruments) starting from the identification of potential issuers and supporting the process that will lead to the final issuance. Specific focus will be on green and other thematic issuances (with an explicit emphasis on climate financing). Additionally, deepening the demand side (attracting more investors) by simplifying the taxation regime for capital markets will also be an important part of the Component 2 activities.

MoFFS, will select a group of companies, such as law firms, audit firms, financial advisory firms, brokerage firms, EMSA-registered credit rating agencies, and other critical service providers, that will provide full support and guidance to companies participating in the Project.

Objective of the Assignment

The Taskforce will identify domestic companies that are potential corporate bond issuers (hereinafter: CBIs), and engage Partner Companies to issue Credit Rating to the CIB Candidate in order to prepare the CBIs for the issuance process.

In the Primary procurement stage, MoFFS will enter into a Framework agreement (hereinafter: FA) with several Partner Companies, setting out terms and conditions under which specific Services (call-off contracts) will be provided directly or competitively throughout the term of the agreement. Once the particular CBI is determined, a Partner Company shall be selected from the panel using the secondary procurement process, which shall be described in the FA in details. Finally, the Partner Company will enter into a three-party contract with the CBI Candidate and the Ministry of Finance in accordance with Call-Off contract template that will be provided in respective Framework Agreement.

Scope of Work

The Partner Company shall:

- i. Assess the creditworthiness of the candidate CBI and assign a credit rating to the corporate bond issuer and separately to the planned bond issuance. Depending on the credit rating applied processes and methodology the scope of work may encompass, but is not restricted to, the following:
 - Evaluation of the company's financial standing
 - Business and Industry analysis:
 - a) Evaluation of the issuer's business model, market position, and competitive advantages within its industry
 - b) Assessment of industry dynamics, market trends, and potential risks that could impact the issuer's creditworthiness
 - c) Analysis of industry/rating category
 - Management and Governance Assessment:
 - a) Analyzing the effectiveness of the company's management team, corporate governance practices, and strategic decision-making processes.
 - b) Evaluation of any governance risks or issues that might affect the company's ability to meet its financial commitments
 - Credit risk evaluation:
 - a) Assessing the issuer's credit risk by evaluating its credit history, and the likelihood of default or financial distress
 - b) Forecasts of future performance: predicting the issuer's ability to honor its debt obligations based on historical data and forward-looking analysis
 - Compliance and Standards:
 - a) Evaluation of company's compliance with regulatory standards and guidelines
 - Collect updated information (e.g. financial information, ongoing developments) from the CBI and once a year, organize a Management call with the CBI as a part of rating monitoring activities

Deliverables

- CBI Candidate credit rating and report, on a non-confidential (public rating) basis.

Reporting requirements

- Upon request, the Partner Company shall submit the list of Serbian corporates assessed and rated in the requested period, to the Taskforce

High level profile of the Partner Company

The Credit Rating agency shall:

- Be operating within regulatory frameworks established by the European Securities and Markets Authority (ESMA) and be on the ESMA List of registered or certified agencies,

- Be a reputable company with more than 5 years of experience in providing rating services.

Length of assignment

The assignment will be for a period ending with March 2027 conclusively and subject to extension based on Project needs and satisfactory performance verified by the Taskforce.

Confidentiality

The Partner Company undertakes to maintain confidentiality on all information that is not in the public domain and shall not be involved in another assignment that represents a conflict of interest to the prevailing assignment.

Selection of Partner Company

The Taskforce, intends to shortlist up to 5 eligible firms to whom a subsequent Request for Proposals (RFP), shall be sent.

A Partner Company will be selected under Quality - based selection method procedures, in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (July 2016, revised November 2017, August 2018 and November 2020) ("Procurement Regulations"), which can be found at the following website: www.worldbank.org.

The Framework Agreement to be concluded will be "Single-User." A Framework Agreement will be concluded with several Partner Companies ("Multi-Consultant Framework Agreement").

The selection of a Credit Rating Partner Company to be awarded a Call-off Contract will be done through a Secondary Procurement as defined in the Framework Agreement. However, the conclusion of a Framework Agreement shall not impose any obligation on the Procuring Agency, including participating Clients, to procure the consulting services under a Call-off Contract. The conclusion of Framework Agreement does not guarantee that a Partner Company in the Framework Agreement will be awarded a Call-off Contract.