

TERMS OF REFERENCE

FOR

Financial Advisor – Corporate bond issuance support

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 provide support to the CBI Candidates and the Arrangers during 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

- i. Corporate bond issuance support:
 - Support and assistance to the CBI during Credit Rating process: coordination between the credit rating agency and the CBI Candidate
 - Review and assessment of bond structuring proposal prepared by the Arranger (price, tenure, terms of borrowing, market conditions), providing advice to the CBI regarding the same, and acting as the CBI's agent in its interaction with the Arranger.
 - Support in preparing a prospectus – providing additional information to the Arranger during prospectus creation (if needed) and providing advice and input to the CBI during its drafting
 - Support in identifying potential investors and developing investor relations functions

Deliverables

- Report on Credit Rating process, and assistance rendered to the CBI
- Report on the Advisor's assessment of bond structuring proposal and suggested adjustments made to the CBI.
- Report on potential investors, a record of the Advisor's efforts to attract same, and details of assistance rendered to the issuer in creating an investor relations program for the offering.
- Draft prospectus, if applicable

Reporting requirements and other provisions

- Upon request, the Partner Company shall submit progress reports on the implementation of the assignment to the Taskforce
- The mandatory provision necessary for the progression to the Project Issuance phase is the conclusion of a legally binding document between the Issuer ("CBI Candidate") and the Service Providers (arrangers, legal advisors, and financial advisor) defining rights and obligations in relation to the bond issuance success fee. The Issuer and the Service Providers, under full criminal and material liability, confirm that the bilateral binding document signed between these two parties will not, in any event, have any negative impact on the implementation of the agreement concluded on the basis of this Terms of Reference, with the Ministry of Finance of the Republic of Serbia

High level profile of the Partner Company

In order to be shortlisted, the Partner Company shall:

- Be a reputable company with significant experience in providing financial, due diligence, and re/structuring advice for firms

-
- Have experience in working with SME and large companies - experience with listed companies is a plus
- Have knowledge of financial market conditions (e.g. cost of funds)
- Have knowledge of regional and local capital markets
- Have experience in providing advice to capital market participants (buy and/or sell side) - will be considered as an advantage
- Have experience in executing a listing process for a private company - will be considered as an advantage
- Have experience in supporting issuances of securities - will be considered as an advantage
- Be a part of an international network on which they can draw additional expertise - will be considered as an advantage

Key experts:

The Partner Company shall establish his Team in accordance with the needs and requirements of this ToR. The Team shall consist of a core team made of key experts with the qualifications and skills defined below and non-key experts, if needed.

- Business Management / Economics / Financial Expert 1:
 - a) University degree in business management, economics, finance, or accounting. Master's degree in business finance or CFA certificate will be considered as a distinct advantage
 - b) Minimum 7 years of relevant work experience
 - c) Detailed knowledge of business landscape in Serbia
 - d) Advanced financial analysis and financial modeling experience: assessment of financial statements, cash flow projections, and valuation models
 - e) Advanced experience in evaluating company's financial health, identification of associated industry risks, and determining the ability to service debt
 - f) Experience in structuring financial transactions, including bond issuances will be considered as an advantage
 - g) Knowledge of financial risk analysis: credit risk, market risk, and operational risk
 - h) Skills in identifying potential risks associated with the bond issuance and proposing risk management solutions
 - i) Advanced knowledge of corporate governance and organization design principles
 - j) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Economics / Financial Expert 2:
 - a) University degree in business management, economics, finance, or accounting
 - b) Minimum 5 years of relevant work experience
 - c) Knowledge of business landscape in Serbia
 - d) Financial analysis and financial modeling experience: assessment of financial statements, cash flow projections, and valuation models
 - e) Experience in evaluating company's financial health, identification of associated industry risks, and determining the ability to service debt
 - f) Knowledge of financial risk analysis: credit risk, market risk, and operational risk
 - g) Skills in identifying potential risks associated with the bond issuance and proposing risk management solutions,
 - h) Knowledge of corporate governance and organization design principles
 - i) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Project Team:
 - a) Additional project team members will be defined in line with specific needs of each corporate bond issuance candidate

The Consultant shall include CVs for all proposed team members, together with a commitment letter executed by each proposed team member certifying their availability to work on this assignment during the period estimated, committing to remain available, and committing to travel and work within Serbia as needed during the project

Length of assignment

The assignment will be for a period ending with May 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 10 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 Financial Advisor 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.