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1. BACKGROUND INFORMATION

1.1. Partner country

Kosovo¹

1.2. Contracting Authority

European Office in Kosovo

1.3. Country background

Kosovo's territory is land-locked and about 10,908 km². The resident population is estimated on 1,815,606. Over 90% of the population is Albanian. The Serb minority represents between 5% and 7%. Other minorities are Bosnians, Gorani, Roma, Ashkali and Egyptians (RAE), and Turks. A large Kosovan diaspora lives in the EU and beyond.

On 10 June 1999 the UN Security Council passed United Nations Security Council Resolution 1244, placing Kosovo under UN administration and establishing the United Nations Interim Administration Mission in Kosovo (UNMIK). In 2001, the Provisional Institutions of Self-Government (PISG) were established and the subsequent years saw an increasing transfer of competences to the Kosovo authorities, thus establishing meaningful self-government in Kosovo.

Following internationally mediated but inconclusive status talks since 2005, Kosovo declared independence on 17 February 2008. Kosovo has fully accepted the obligations contained in the comprehensive proposal for the Kosovo status settlement ("Ahtisaari proposal"). The proposal's decentralisation model allows for extensive self-government in Serb majority municipalities. In the areas of education, culture and health and other key areas Kosovo Serbs will largely manage their own affairs. It also foresaw an international supervisory presence.

Kosovo's economy is small and highly open. By regional standards, Kosovo is relatively poor with a GDP per capita of around € 1,500 per annum. Imports account for around 60% of GDP and, until now, the main characteristic which best described the economy of Kosovo was a very high level of inflows from sources other than exports, the main ones being remittances from the Diaspora and donor assistance. Economic growth which has been hovering around a moderate 3% over the last two years is mostly driven by the privatisation and liquidation process of socially owned enterprises and by small-scale retail businesses. Foreign investment is still relatively low, partially hindered by regular power cuts. Unemployment - at more than 40% of the population - is a severe problem that encourages outward migration. Kosovo's tie to the Euro has helped keep inflation low, although recently it picked due to higher world market prices for food and oil. In general, Kosovo's macro-economic policies over the last few years can be characterised as stable.

The EU presence in Kosovo is made up of two components: the European Security and Defence Policy mission EULEX and the European Commission with a European Union Special Representative component (EUSR) represented by the EU Office in Kosovo. The purpose of the EUSR is to provide EU's advice and support in the political process and promote overall EU coordination and coherence in Kosovo. The mandate of EULEX in Kosovo is to assist Kosovo authorities, judicial authorities and law enforcement agencies in their progress towards sustainability and accountability and in further developing and strengthening an independent multi-ethnic justice system and multi-ethnic police, customs and correctional services.

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence

The Stabilisation and Association Agreement (SAA) represents the first comprehensive contractual relationship between Kosovo and the EU and an important milestone in Kosovo's European integration process. The SAA was negotiated between October 2013 and May 2014, it was initialled in July 2014 and the Council of the EU agreed to its signature on 22 October 2015. Following the Lisbon Treaty, which conferred legal personality to the European Union, the SAA is concluded in the form of an EU-only agreement. The SAA was signed on 27 October 2015. Following consent by the European Parliament, the SAA is expected to enter into force in the first half of next year.

The implementation of the agreement between the EU and Kosovo will aim u.a.at:

- supporting the efforts of Kosovo to develop its economic and international cooperation, should objective circumstances permit, including through the approximation of its legislation to that of the EU;
- supporting the efforts of Kosovo to complete the transition into a functioning market economy;
- promoting harmonious economic relations and gradually develop a free trade area between the EU and Kosovo where free movement of goods, services and capital are mutually guaranteed;
- fostering regional cooperation in all the fields covered by this Agreement.

The European Commission plays the key role in implementing this policy by deploying all tools under the Stabilisation and Association Process (SAP), such as regular reporting and a European Partnership. The Commission provides sound policy advice and guidance to Kosovo's reform efforts. This is backed up by substantial financial assistance, delivered via the Instrument of Pre-Accession (IPA) with a total volume of nearly € 2 billion Euro to date. A regular policy and technical dialogue is held under the umbrella of the SAPD.

1.4. Current situation in the sector

Kosovo* is a lower-middle-income country with a solid economic growth performance since the end of the war in 1999. It is one of only four countries in Europe that recorded positive growth rates in every year during the crisis period 2008–12, averaging 4.5 per cent. The resilience of Kosovo's economy reflects (i) limited international integration into the global economy; (ii) the success of its diaspora in the labour markets of, especially, the German-speaking countries of Central Europe, resulting in a steady reflux of remittances; (iii) a generally pro-growth composition of the budget, allowing for about 40 percent of public expenditures to be spent on public investments; and (iv) a steady influx of donor support.²

Although Kosovo's economy has been shielded to a very large extent from the effects of the European crisis, the signs of economic slowdown have been present in the past year. GDP growth declined from 4.4 per cent in 2011 to 2.2 per cent in 2014 (GDP per capita: €2,585.6 in 2014)³. The pace of growth is not nearly enough to have a transformational effect on Kosovo and lower the unemployment rate. According to Kosovo Agency of Statistics,⁴ the official unemployment rate in 2014 is 35.3%⁵ and the percentage is higher in rural areas and within youth⁶. Approximately 30,000 young people enter the labour market every year. These development problems are recognized in many of Kosovo's strategic development documents, and there is an increasing focus

² Overview – World bank - <http://www.worldbank.org/en/country/kosovo/overview>

³ MTI – Annual Report #1

⁴ Source: Results of the Kosovo 2014 Labour Force Survey

⁵ Unemployment rate Male 33.1 % and Unemployment rate Female 41.6 %

⁶ Youth unemployment rate (15-24 years): 30.2 %

on the private sector, as the main generator of additional economic growth, required to create more sustainable job opportunities. Along this line, efficient private sector development policies will play a crucial role in facilitating economic growth in Kosovo, led by exports and investments.

With a trade deficit exceeding 34 per cent of GDP in 2014, the external position remains Kosovo's single most challenging economic issue. The high share of external rent earnings (aid and remittances) in national GDP explains why Kosovo can maintain a balance of payments with the rest of the world in the face of a gaping – and, indeed, growing – trade deficit. Households, firms and government agencies consume imported goods and finance the trade deficit through cash earnings remitted by migrant workers and aid grants from development organizations.

Over 2005-2014, the negative trade deficit amounted to an annual average of EUR 1,621.43 million. While the best part of this deficit is closed by the inflow of remittances and aid grants (which amounted to EUR 1,654.8 million in 2013), the current account balance (which includes several other international flows besides trade) remains negative at EUR 451.4 million in 2013. Part of the problem is the fact that Kosovo's SMEs are not internationally competitive. SMEs weak export competitiveness hinders the contribution of SMEs to GDP, job creation and welfare in general. The growth of SMEs in Kosovo has been limited as a result of various factors, mainly related to the business environment, energy supply, and so on.

Kosovo SMEs are constrained in their development by a number of internal and external conditions. The main obstacles to SME development and further growth are access to finance, weak legal enforcement of contracts and business regulation, weak competition and weak judiciary, as well as the large informal economy and corruption. The overall environment has until now been relatively unfavourable to business, while a lack of creative culture of entrepreneurship has resulted in a “me too” approach to business development, quickly resulting in a saturation of a particular market niche (i.e. gas stations, swimming pools, hotels, etc.). The desired creation of new and more sustainable jobs has not materialised as a result of this approach.

According to the latest EU progress Report 2015, the implementation of Kosovo's 2013-2017 private sector development strategy and the EU's ‘Small Business Act’ are advancing slowly. Communication between ministries and executive agencies needs to improve. To reduce administrative burden on SMEs, the government needs to introduce regulatory impact assessments. Strategies and action plans in this field need to be timed and monitored. The Kosovo Investment and Enterprise Support Agency is operational and but not yet fully staffed, so its impact is still limited. Although full online company registration has not yet been introduced, the process for registering individual businesses and companies is quick (1-3 days). Nevertheless, the main obstacles to SME development and further growth are access to finance, weak legal enforcement of contracts and business regulations, administrative barriers, unfair competition from the informal sector, inefficient judiciary and corruption.

The SME Development Strategy for Kosovo 2012 – 2016 (with vision to 2020), adopted in July 2011, is firmly based on the two main pillars of EU's SME strategic framework: the Small Business Act (SBA) for Europe, which Kosovo has committed itself to implement, and the EU Competitiveness and Innovation framework Programme (CIP), which Kosovo aspires to become part of in the near future. Its vision being “globally competitive Kosovo SMEs”, the mission set out by this strategy is the following: “Improvement of the business environment and Entrepreneurship culture with the aim of the creation and rapid growth of sustainable SMEs”.

In the World Bank's Doing Business 2015 Report⁷ Kosovo is ranked in the position 75 out of 189 economies. The main obstacles to doing business were perceived to be protecting investors,

⁷ Doing Business 2015, Economy Profile 2015 for Kosovo, <http://www.doingbusiness.org/>

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dealing with construction permits, enforcing contracts, resolving insolvency and trading across borders.

According to the preliminary findings on the latest assessment report⁸ of the implementation of the 'Small Business Act (SBA)'⁹ for the Western Balkans and Turkey, Kosovo has made considerable progress in several policy areas. Since 2012, Kosovo has improved its institutional environment for SME development and the operational environment for businesses. It further improved on access to finance, internationalisation and environmental policies. However, most improvements can be traced back to the policy design level, where strategies and laws have been put in place. Policy implementation remains throughout most policy dimensions still at a rather early stage and depends mostly on donor contributions. SME statistics collections remain also poor and should be improved to get a better picture of the SME population in Kosovo.

*"Kosovo has the potential to shift toward faster, private sector led growth"*¹⁰. Kosovo's products have free market access to the European Union (EU) and Central European Free Trade Agreement (CEFTA) countries, so exports could become an important pillar of growth. Unleashing that potential will involve bringing on line three production factors that are now sitting partially idle: labour, land, energy and minerals. The encouraging news is that unleashing this potential is within the country's own grasp, because most of the current obstacles are of a policy nature.

Within the Ministry of Trade and Industry, the Kosovo Investment and Enterprise Support Agency (KIESA¹¹)'s mission is to improve the SMEs general productivity and competitiveness, these becoming a key mechanism to ensure SMEs more powerful and effective representation. As a new institution within the institutional landscape for private sector development in Kosovo, there is a need for KIESA to become a successful communicator and networker. Communication and dialogue between the KIESA and other relevant stakeholders, and the Public Private Dialogue (PPD) should be systemised and continuously managed.

1.5. Related programmes and other donor activities

Modernising Municipal Services – GIZ -2006-2013

The aim was improving cooperation between central and local government, civil society and the private sector.

Rural Economic Development - GIZ - 2010-2018

The objective was to improve the competitiveness of rural regions in Kosovo and to bring rural economic development processes in line with EU requirements.

EU SME support through the Ministry of Trade and Industry - EU -2008-2012

The aim was to improve overall business environment in Kosovo through technical assistance to SME Agency and IPAK within the Ministry of Trade and Industry (EUR 2.9 million).

Enterprise Growth Project (TAM/BAS) – EU – 2010-2013

⁸ The next SBA assessment for the Western Balkans and Turkey should be issued in April 2016.

⁹ The main objective of the SBA Assessment is to provide governments with a framework for assessing policies targeting SME development. The index identifies strengths and weaknesses in policy design, implementation, monitoring and evaluation; allows for comparison across countries; and measures convergence towards EU SME policy standards. It aims to support governments in setting targets for SME policy developments and strategic priorities to further improve their business environments. It also engages governments in policy dialogue and facilitates the exchange of experiences within the region and with the partner organisations.

¹⁰ World Bank. 2010. Kosovo - Unlocking Growth Potential

¹¹ The previous agencies SMESA and IPAK have been merged to create KIESA

The aim was to support business development through turn around management and business advisory support (EUR 2.5 million)

Rural Development Grant Scheme – EU- 2010-2015

Grant projects with agro-business establishments in fruit and vegetables, meat and milk processing sector selected through an open call for proposals. (EUR 14 million)

Business Enabling Environment Programme (BEEP) – USAID – July 2010 – July 2013

The goal of the Kosovo Business Enabling Environment (BEEP) project was to support the development of a business-friendly environment in Kosovo, focusing particularly on better implementation of commercial law, more transparent public tenders, improved access to information about borrowers' credit history, and reduced barriers to trade.

Facilitating Business Friendly Environment through One Stop Shops and Business Advisory Services – EU – 2010 - 2012

The aim of the project was to improve the business enabling environment in the Economic Region Centre, targeting the Municipalities of Prishtina, of Podujeve, of Glllogoc, of Fushe Kosove, of Shtime and of Obiliq. In order to achieve this objective, the project strived to improve administrative procedures for business registration and licensing at municipal level, and raise the capacities of new businesses and start-ups across the economic region Centre. The EU funded project was implemented by ARDA, the Association of Regional Development Agency.

Technical Assistance to further development of Kosovo's Trade Policy– EU – 2011-2015

The project aims to promote Kosovo's integration into the world economy and to develop and create the basis for a sustainable enabling environment for private sector development. The first two-year phase supported the Ministry of Trade and Industry to develop its institutional capacity to prepare negotiation positions on trade between the EU and Kosovo within the context of the SAA and to implement agreed policy initiatives in line with international trade requirements and EU practices. The 2nd phase (2013-2015) focuses on Trade policy, impact analysis, Trade Openness and Trade Statistics. More specifically, the project is providing technical assistance to the Ministry of Trade and Industry for Kosovo's current negotiations on trade in services.

Trade Aid – UNDP / Finnish Embassy - 2012-2014

The purpose of the project is to improve implementation of pro-poor trade reforms and trade capacity development measures through the identification of trade policy's responses; trade related needs and capacity gaps, as well as an execution of piloting technical assistance interventions.

One-Stop Shop - World Bank - 2013

The investment climate team worked with KBRA (Kosovo Business Registration Agency) and the Tax Authority to roll out the integrated registration system in Pristina, which uses a single application form and allows for an easy flow of information between the two agencies. The new system leverages the existing municipal business centres all around Kosovo, set up under an earlier World Bank project, into fully functional one-stop shops for business registration. Under the integrated system, the single form submitted by business owners at the business centres flows to the KBRA (to approve the registration number) and the Tax Authority (to authorize the fiscal number). Following these approvals, business centre officials input the data, and the printed certificate reflects both the registration and the fiscal number.

Investment Climate Project in Kosovo – International Finance Corporation (IFC) / World Bank Group - 2013 - 2015

The aim of the Kosovo Investment Climate project is to improve the country's investment climate for both domestic and foreign investors. The project will link in a programmatic manner business regulatory, investment policy and industry specific work in agribusiness to maximize impact. It is a

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targeted intervention building on IFC strengths and addressing government priorities and the needs of the private sector in Kosovo. The objectives are to reduce administrative burden for businesses and improve competitiveness of Kosovo economy and help increase investment levels and FDI inflows, in particular in employment intensive sectors.

KOSME - Kosovo Programme for overall SME Promotion - Austrian Development Agency (ADC) and Swiss Agency for Development and Cooperation (SDC) - 2013-2015

The long-term objective of this project is to contribute in promoting the development of private sector in Kosovo and to stipulate global competition of Kosovo SMEs in accordance with the principles of sustainable development. The programme is implemented by Economic Initiative for Kosovo (EIKS) and KMU (Forschung Austria).

2. OBJECTIVE, PURPOSE & EXPECTED RESULTS

2.1. Overall objective

The overall objective of the project of which this contract will be a part is as follows:

- To increase economic growth and private sector employment in Kosovo by strengthening the competitiveness of locally operating enterprises and promoting Kosovo's integration into the world economy.

2.2. Purpose

The purpose of this contract is as follows:

- To support Kosovo companies in improving their performance and overall competitiveness and increase exports of products and services generated in Kosovo, as a means of reducing the trade deficit

2.3. Results to be achieved by the Contractor

1. Increased local and international market share by Kosovo-made products/services, through improved competitiveness;
2. Increased number of successful start-ups;
3. Increased number of rapid-growth companies;
4. Export enabling environment in Kosovo improved
5. Increased number of exporting companies, products, quantity and improved quality of value-added Kosovo products;
6. Increased number of locally – and internationally-recognized Kosovo brands.

3. ASSUMPTIONS & RISKS

3.1. Assumptions underlying the project

Assumption	Probability
Political priorities of the Government of Kosovo will not change	High

Continuous commitment of the Government and other institutions involved and allocation of sufficient resources to implement the output of the project	High
Institutional and legislative framework in place	Medium
Effective and continuous coordination assured with the various stakeholders and with other donors	Medium
Adequate absorption capacities in place	Medium
Staff of the beneficiary qualified for their task	Medium
Availability of adequate technical expertise in the area	Medium
Improvement of the access to finance for SMEs in Kosovo	Low

3.2. Risks

Risk description	Probability
Political instability in the country	Medium
Period provided to the business community for benefiting from the activities is too short	High
Allocation of resources to implement the output of the project is not sufficient	High
Staff trained will not remained within the institutions	Medium
SMEs do not show any interest in the project (Training/project fatigue)	Medium
SMEs have difficulty to access finance in Kosovo	High

4. SCOPE OF THE WORK

4.1. General

4.1.1. Project description

In order to meet the significant and growing challenges of globalization, SMEs need governmental and institutional back-up. A three-pronged approach should help build and strengthen competitiveness:

1. A closer business-government partnership; the main challenge facing firms is how to take advantage of new resources and markets while dealing with intense and growing global competition. The challenge facing governments is how to design and implement supportive policies and strategies. Business and government both need to intensify their partnership to build and strengthen competitiveness.
2. An effective networking of national agencies involved in the value chain; and
3. An optimal use of new technologies.

This project shall aim at creating a favourable environment for business creation and growth and support SMEs to improve their access to regional and international markets.

The Industrial Department of the Ministry of Trade and Industry has developed the *Concept Paper on Kosovo Industrial Policy*¹² published in November 2014 as a result of professional contributions from relevant government and non-governmental institutions representatives¹³ during workshops and continual virtual discussions among them. The Concept Paper lays down the theoretical foundations of the first Kosovo Industrial Policy of Kosovo (KIP). It links sector specific policies with the imperative (economic transformation) of the National Development Strategy 2020 (NDS), the highest official strategic document. The pillar one - Competitiveness and Enterprises- and pillar two –Quality Infrastructure-, of the Kosovo Industrial Policy is being developed and will be part of the Private Sector Development Strategy 2016-2020. This policy document will be the basis document for any initiatives related to Competitiveness and Private Sector Development.

The Contractor, when implementing the project, shall ensure continuity and coordination with initiatives supporting the Private Sector in Kosovo already undertaken and forthcoming, either financed by the EU, by other Donors or by the Government of Kosovo.

4.1.2. Geographical area to be covered

Kosovo*

4.1.3. Target groups

The primary target group of this project is the Ministry of Trade and Industry, more specifically the Department of Industry of MTI and the Kosovo Investment and Enterprise Support Agency (KIESA) as well as SMEs in Kosovo.

The project will also directly benefit the private sector in Kosovo, service providers, professional associations and business associations, the Business Registration Agency, the Regional Development Agencies (ARDA) and the regional and local authorities, including the municipalities.

The action of the project will indirectly target the Ministry of European Integration, the Ministry of Education, Science and Technology and the Ministry of Economic Development.

4.2. Specific work

The Contractor, when developing the methodology and designing the activities to be implemented under the three components, must take into account the following documents:

- The *Kosovo Industrial Policy* – This policy document must be used as a reference.
- The Small Business Act (SBA) - The development and implementation of SME related activities have to take into account the 2016 assessment of the SBA for Kosovo in order to improve performance on SBA's 10 principles.

COMPONENT 1: IMPROVE INSTITUTIONAL AND REGULATORY FRAMEWORK FOR SME POLICY

The following activities should be implemented:

¹² http://www.mti-ks.org/repository/docs/Concept_of_Kosovo_Industrial_Policy_202018_12_2014_230868.pdf

¹³ Prime Minister's Office (PM), Kosovo Investment and Enterprise Support Agency (KIESA), Economic Chamber of Kosovo (ECK), American Chamber of Commerce (AmCham), Ministry of Education, Science and Technology (MEST), Ministry of Finance (MF) and Ministry of Economic Development (MED)

- Support the Department of Industry at MTI in developing its competencies - Provide capacity building activities based on a need assessment
- Support the Department of Industry at MTI in developing the Kosovo Industrial Policy
- Support the Kosovo Investment and Enterprise Support Agency (KIESA) in developing their activities and services – Provide capacity building activities based on a need assessment
- Improve the business environment - Support the government to undertake legislative and administrative simplification. Simplify the existing regulatory environment taking into account SMEs' characteristics.
- Develop operational environment for Business creation
- Enhance and support Public-Private consultation

Make sure that SME needs are taken into consideration when developing legislative and administrative initiatives.

COMPONENT 2: IMPROVE PERFORMANCE AND OVERALL COMPETITIVENESS OF KOSOVO COMPANIES

The following activities should be implemented:

- Improve the access to finance for SMEs - A special attention should be given to Women on that issue.
- Support the development of Business Development Services (located between the Government and the SMEs) primarily through the capacity building of intermediary service deliverers but also through "interventions" to improve the way markets work.
- Develop a Value Chain Development approach which focuses on the industries / sectors /subsectors that are most relevant for job creation and job quality improvement. Address systems and institutions that can drive competitiveness and job creation in specific sectors by using a market development approach.
- Strengthen entrepreneurial management skills through capacity building and training resources that foster adoption of good workplace practices in micro-, small and medium enterprises
- Develop management-training programme with a focus on starting and improving small businesses as a strategy for creating more and better employment. The objective is to contribute to economic growth in general, and to the creation of more and better jobs in micro- and small enterprises (MSEs) in particular.
- Develop integrated business training and support package for small- to medium-scale enterprises which have growth potential
- A special attention should be given to Women Entrepreneurship: enhancing economic opportunities for women by carrying out affirmative actions in support of women starting, formalizing and growing their enterprises. Create an enabling environment for women which will generate quality jobs; build institutional capacity; and development of tools and support services for women entrepreneurs.
- Raise awareness on the importance of standardisation, accreditation and metrology among Kosovo producers and SMEs. Improving the understanding of stakeholders with respects to the benefits of standardisation, accredited conformity assessment services and metrology.

COMPONENT 3: EXPORT PROMOTION

The following activities should be implemented:

- Identify the industries which have potential for developing and competing with foreign rivals.
- Develop an **Export (trade) Promotion strategy** which promotes the industries that have potential for developing and competing with foreign rivals. The main goal of the export promotion will be to prepare the “potential” industries for competition with the foreign rivals. The rationale is to exploit Kosovo's comparative advantage.
- Support the implementation of the export trade promotion strategy and provide support services to domestic enterprises
- Develop **appropriate business support** which is necessary for the companies and the sector as a whole to further develop towards an exporting industry

Ownership of all towards the Business Service Organisation (through membership and voting rights) will ensure the success of the BSO. The development of a clear sector strategy is essential, which consist of a sector development plan and a sector export marketing plan. The sector should have a portfolio of services consisting of trainings on product development for SME's, export promotion services and market intelligence services, to ensure that various bottlenecks will be tackled.

- **Promote dialogue and ensure ownership and commitment** of the various stakeholders - Companies and Industries have to play an active role - All organisations have to be involved from the start
- **Strengthening inter-firm specialization** and linkages
- Creation of **online Portal** in order to improve the country's image in relation to the export products and increase the awareness
- **Export Coaching:** To enter the specific market, companies need a thorough understanding of the specific sector and knowledge on export marketing, market access requirements, and trade fair participation of this market. A programme should offer a step-by-step approach that will enable the industries to develop an export strategy for their business and will give them practical guidance in establishing contacts with importers. The programme should be tailored to ensure that the companies will be able to export to targeted markets successfully.

During the whole implementation of the Contractor shall ensure the sustainability and dissemination of project results. The Contractor must also comply with the latest Communication and Visibility Manual for EU External Action: https://ec.europa.eu/europeaid/funding/communication-and-visibility-manual-eu-external-actions_en.

The Contractor shall ensure the capitalisation and sharing of knowledge related to the implementation of the project. It concerns observations of technical and pedagogical value, which are interesting for other professionals, and which do not infringe with the obligations of article 14 of the General Conditions of the Contract. For sharing such information, the Contractor shall use the capacity4dev.eu web platform.

4.3. Project management

4.3.1. Responsible body

The Contracting Authority is the EU Office in Kosovo which is responsible for managing this contract. The Contracting Authority will appoint a Project Manager to act on its behalf.

4.3.2. Management structure

The Project Steering Committee (PSC) will be set up during the inception phase of the project. Members of the PSC will be defined during the inception phase. The consultant will, upon taking up the assignment, agree with the EU Office in Kosovo and the MTI on the composition of the PSC that must include the European Union Office in Kosovo representative, a representative of the Ministry of European Integration (MEI) and representatives of the MTI and KIESA.

The PSC will be responsible for the overall co-ordination, direction and oversight of the project. The PSC will guide the Consultant in achieving its tasks, monitor progress of the project activities and ensure timely achievement of results as set out in these Terms of Reference.

The PSC will meet at the beginning of the project and at the end of the Inception Phase and, thereafter, once every six months at least, as well as whenever any of its members deem it necessary. The PSC will be responsible for the overall coordination, direction and oversight of the project and its activities. The PSC will review the reports, advice, give guidance to the Contractor in achieving its tasks, monitor progress of the project activities and will ensure that appropriate measures are put in place to maximise the benefits of the project. The Contractor will facilitate the proper functioning of the PSC, the preparation and circulation of agenda, the writing and distribution of minutes, and follow-up on PSC decisions. The Contractor will ensure that the PSC is kept informed on all project progress as well as developments, affecting project execution.

The Team Leader will act as Secretariat to the Steering Committee (provide translation and interpretation if and when required, prepare minutes of the meetings, etc).

All the decisions of the Steering Committee have to be approved by the Contracting Authority.

4.3.3. Facilities to be provided by the Contracting Authority and/or other parties

The Ministry of Trade and Industry of Kosovo will provide office space for the team leader and experts during their stay in the project.

This space should be, whenever possible, in those areas where the work is expected to take place because working with specific staff in their own environment will be more productive and will help maximise the benefits of the Project.

5. LOGISTICS AND TIMING

5.1. Location

The project team will be based in Pristina, Kosovo. Travel outside the capital to municipal areas and to the five economic regions of Kosovo will be required. Activities may also include arranging study tours and visits outside Kosovo if necessary, as indicated in these Terms of Reference or identified during the Inception Period.

All costs relating to the provision of experts (including travel to/from the beneficiary country and subsistence once there) must be included in the fee rates. The cost of full time support staff (project assistant or translators) to these missions is expected to be included in the overall fees.

5.2. Start date & period of implementation

The intended start date is in May 2016 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.

6. REQUIREMENTS

6.1. Staff

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.

Experience will only be counted as of the day the relevant qualification was obtained.

Each expert should spend his/her time input in the Beneficiary country. Any work conducted outside of Kosovo will be on exceptional cases and need to be duly justified. It will need prior approval by the European Union Office in Kosovo.

Working days during the week-end and public holidays will be on exceptional cases and need to be duly justified. It will need prior approval by the European Union Office in Kosovo.

6.1.1. Key experts

Key experts have a crucial role in implementing the contract.

All experts mobilised under this contract must:

- have excellent communication and analytical skills,
- have excellent team working abilities,
- be proficient in report drafting,
- have excellent written and spoken English.

Any qualifications, skills and experience stated in the respective CV of an expert must be substantiated by supporting documents (with accurate translation into English), such as copies of degrees or diplomas and employers' certificates.

Key Experts' CVs should clearly indicate the **start date** and the **end date** (month and year) of each assignment. Each assignment in the CV should be numbered and the same number should be written on the respective **signed supporting document**.

Travelling time to/from the beneficiary country will not be accounted for as working days and therefore cannot be invoiced as working days. Fees paid to the experts concern full working days. Half working days will not be accounted.

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: Team Leader (minimum 440 working days)

- Will have overall responsibility for the implementation of the project and will be the main contact point for the EU Office in Kosovo i.e. the Contracting Authority, and the project beneficiary;
- Will support the coordination mechanism with other initiatives and will guide ministries, governmental institutions and any other beneficiaries;

- Will be responsible for the component 1 "Improve institutional and regulatory framework for SME policy" and the component 2 "improve performance and overall competitiveness of Kosovo companies";
- Will coordinate, supervise and assure quality with regards to short-term experts – should ensure that all experts provide high quality deliverables;
- Will be responsible for the regular reporting and will attend the Steering Committee meetings.

Qualifications and skills

- A university degree (Bachelor's degree or equivalent) in Economics or Agro-Economics or Business Administration or Business Management or Law or 6 years of relevant professional experience; A Master and/or PhD in the field of Economics or Agro-Economics or Business Administration or Management or Law is considered as an advantage;

General professional experience

- Minimum 8 years of relevant professional experience in the fields of **private sector development** (in addition to the years of experience which form a substitute for the diploma in case the expert would not have the diploma required under Qualifications and Skills).

Specific professional experience

- Experience¹⁴ in the position of team leader gained in projects in at least 2 preferably 5 projects¹⁵ in the field of Private Sector Development;
- Experience¹⁶ in improving institutional and regulatory framework for SME in at least 2 preferably 5 projects¹⁷;

Key expert 2: SMEs and Export Promotion (minimum 400 working days) – Deputy Team Leader

- Will be responsible for the component 3 "Export Promotion"
- Will support the implementation of the component 2 "improve performance and overall competitiveness of Kosovo companies"

Qualifications and skills

- A university degree (Bachelor's degree or equivalent) in Economics or Business Administration or Business Management or International Trade or 6 years of relevant professional experience; A Master and/or PhD in the field of Economics or Business Administration or Business Management or International Trade is considered as an advantage;

¹⁴ Only long term experience of at least 6 months will be counted

¹⁵ A piece of planned work or an activity that is finished over a period of time and intended to achieve a particular purpose

¹⁶ Only long term experience of at least 6 months will be counted

¹⁷ A piece of planned work or an activity that is finished over a period of time and intended to achieve a particular purpose

General professional experience

- Minimum 8 years of professional experience in **Private Sector Development and international Trade** (in addition to the years of experience which form a substitute for the diploma in case the expert would not have the diploma required under Qualifications and Skills).

Specific professional experience

- Experience¹⁸ in implementing Export Trade Promotion Strategy or Export Trade Promotion Measures in at least 2 preferably 5 projects¹⁹;
- Experience²⁰ in Business Development Services (BDS) in at least 2 preferably 5 projects²¹.

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

6.1.2. 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 in 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, 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.

Pool of non-key experts – It will have to be divided by results and Senior and Junior, according to the tenderers' Organisation and Methodology. The distribution of number of days between the different categories of experts should be clearly laid out on the proposed budget and reflected on the proposed fee rates.

Experts may be required in the following areas:

- Business environment and administrative procedures
- Business Development Services (BDS)
- Value Chain Development approach
- Developing and implementing training and capacity building
- SMEs Internationalization and Export Promotion
- Export coaching
- Awareness raising, campaigns

¹⁸ Only long term experience of at least 6 months will be counted

¹⁹ A piece of planned work or an activity that is finished over a period of time and intended to achieve a particular purpose

²⁰ Only long term experience of at least 6 months will be counted

²¹ A piece of planned work or an activity that is finished over a period of time and intended to achieve a particular purpose

- Visibility
- Information Technology targeting but not limited to developing and designing Website, developing e-learning portal, developing Data Base management system.

The non-key experts, who will be recruited to carry out those assignments, should have as a minimum the following profile:

- Fluency in both written and spoken English.
- For Senior experts, a proven minimum of five, but preferably eight years of general professional experience in areas relevant to their assignment;
- For Junior experts, a proven minimum of three, but preferably five years of general professional experience in areas relevant to their assignment;
- Proven specific professional experience in at least one area listed above and/or relevant to their assignment.

The CVs of these experts will be proposed by the Contractor and approved by the Contracting Authority.

6.1.3. 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.

The Contractor is expected to hire a full-time local office manager and a translator/interpreter for the whole duration of the Project. The local office manager would be in charge of day-to-day management of the Project Office and will assist the Project in hiring non-key experts. The office manager should be fluent in spoken and written English, able to communicate in one minority language and with the experience of office management, preferably in previous international projects.

The translator/interpreter should be able to interpret from Albanian and Serb language to English and vice-versa and to translate from English to Albanian and Serbian languages and vice-versa and familiar with the terminology used by the Project.

The Contractor shall ensure appropriate backstopping support. Therefore a Project Director from the Contractor's Headquarters should be appointed for the whole duration of the Project. S/he shall have the overall responsibility for the smooth and timely implementation of the Project and the efficient use of funds. The Project Director must have experience from similar assignments, and will have the following specific responsibilities:

- Coordination of overall Project activities;
- Ensure proper reporting according to EC reporting guidelines and requirements;
- Ensure coordination between the Project Office, the Contractor's headquarters and the Contracting Authority;
- Ensure proper administrative control of the Project's expenses, preparation of invoices with supporting documentation, and the timely delivery of reports;
- Participation in the Steering Committee meetings, if necessary and requested by the Contracting Authority.

The contractor will describe in his offer his system of quality assurance, and how his head-office will support the experts on site with all required logistics and technical support. The Contractor shall include a statement in the tender as to be the arrangements for subject-specific backstopping of all experts.

Final

Quality control of reports in terms of contents, layout (standardised) and quality of language is a key aspect of quality assurance.

The Contractor is responsible for meeting all contract objectives, delivery of outputs and results, and must provide corresponding backstopping and oversight services at his own cost.

6.2. 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 partner country.

6.3. 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.

The Contractor shall provide all required supplies, services, documentation, logistical support, etc for the implementation of the contract, and all the costs should be included in the fee rates of its experts.

If the Contractor is a consortium, the arrangements should allow for maximum flexibility in project implementation. Avoid arrangements offering each consortium member a fixed percentage of the work to be undertaken under the contract.

6.4. 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.

6.5. 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 (for experts, stakeholders and beneficiaries of the project). If applicable, indicate whether the provision includes costs for environmental measures, for example CO₂ offsetting.
- Costs related to organizing workshops and training arrangements for beneficiaries or stakeholders (if such arrangements cannot be hosted by the beneficiary) including rental of venue and basic catering;
- Costs related to preparation, printing and distributing leaflets, technical manuals and other materials for the activities to be performed under these terms of references;
- Costs related to the visibility of the project for the production of information/publication materials, such as fact sheets, brochures, information material, advertisements, and production cost of interactive and audio-visual materials or similar expenses.

The provision for incidental expenditure for this contract is **EUR 300.000**. This amount must be included unchanged in the Budget breakdown.

Daily subsistence costs may be reimbursed for missions foreseen in these terms of reference or approved by the Contracting Authority, and carried out by the contractor's authorised experts, outside the expert's normal place of posting.

The per diem is a flat-rate maximum sum 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 by the contractor's authorised experts for missions carried out outside the expert's normal place of posting. The per diem is payable if the duration of the mission is 12 hours or more. The per diem may be paid in half or in full, with 12 hours = 50% of the per diem rate and 24 hours = 100% of the per diem rate. 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 - at the start of each such mission.

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 with the exception of study tours and visits outside Kosovo.

6.6. Lump sums

No lump sums are foreseen in this contract.

6.7. Expenditure verification

The provision for expenditure verification covers the fees of the auditor charged with verifying the expenditure of this contract in order to proceed with the payment of any pre-financing instalments and/or interim payments.

The provision for expenditure verification for this contract is **EUR 15,000.00**. This amount must be included unchanged in the Budget breakdown.

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

7. REPORTS

7.1. Reporting requirements

Interim reports must be prepared every six months during the period of implementation of the tasks. They 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 output 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	<p>Full review and update of the organisation and methodology and propose amendments if necessary:</p> <ul style="list-style-type: none"> - detailed action plans for each project component - updated timetable for each of the project activities identified - updated time and input schedule for the achievement of outputs and results - revision and update of the Logical Framework - revision and update the objectively verifiable indicators and sources of verification for each of the components 	No later than 1 ½ month after the start of implementation – A draft inception report should be submitted on the 5 th week after the start of the project
Monthly Reports	A concise report (maximum 4 pages) containing a summary of overall progress, progress in relation to outputs, key activities during the period and planned for the following month, individual and cumulative manpower utilization	At the end of the first week of each month
6-month Progress Report	Description of progress (technical and financial) including 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 achievements including problems encountered and recommendations.	No later than 1 month before the end of the implementation period
Final Report	Short description of achievements including 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

7.2. Submission & approval of reports

One copy of the reports referred to above must be submitted to the Project Manager identified in the contract. The reports must be written in English. The Project Manager is responsible for approving the reports.

One hard copy and one electronic copy of all reports should also be submitted to the beneficiary. Electronic copies will be distributed to all members of the Steering Committee. All the reports must be written in English and if necessary translated into the other official languages (Albanian and/or Serbian).

8. MONITORING AND EVALUATION

8.1. Definition of indicators

In the Annex III - Organisation & Methodology – of the tender document, the Contractor shall identify objectively verifiable indicators and sources of verification for each of the components described in Section 4, where possible. Indicators will be refined and finalised in the Inception Report and agreed in the first Steering Committee meeting. Indicators will be used for the monitoring and evaluation of the Project. The Contractor will ensure that indicators are addressed the progress reports.

8.2. Special requirements

The Contractor must cooperate with any monitoring or evaluation arrangement that is put in place by the Contracting Authority.

EU-funded projects managed by the European Commission should achieve a high and consistent level of visibility. A sufficient level of awareness can only be achieved through coherent branding of all EU projects. The role of contractors and implementing authorities in raising public awareness is thereby crucial. The Contractor shall comply with the provisions of the Commissions requirement for visibility.

As indicated the project should also be used as a platform to raise awareness about, and promote the inclusion in the project of relevant cross-cutting issues relating to gender, minorities, and the inclusion of persons with disabilities, environment and age. The dimension of minority inclusion, equal opportunity and gender equality, in particular, will be integrated in all levels of the project and will be a joint responsibility of the Contractor and the beneficiary. This will contribute to establishing a suitable foundation for the mainstream of cross-cutting issues, especially gender equality, in the future. The approach should follow the gender guidelines of the Gender Toolkit published on the European Commission website for International Cooperation and Development:

https://ec.europa.eu/europeaid/toolkit-mainstreaming-gender-equality-ec-development-cooperation_en.

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