



**USAID**  
OD AMERIČKOG NARODA

**Request for Proposal RFP No. POL\_1203**

**Study on the Impact of Liberalization on Serbian Agricultural Sector**

**Analysis of the effects of liberalization on Serbian agriculture within the SAA, the WTO accession and the bilateral free trade agreements with Turkey and Belarus**

Date: March 12, 2010

Dear Sir/Madam,

Development Alternatives, Inc. (DAI) is implementing the USAID funded Serbia Agribusiness Project.

The principal goal of the Agribusiness Project is to increase sales by Serbian agribusinesses, either domestic or international, by making these businesses more competitive in their respective markets and to generate more jobs. Over the course of the first year the Project conducted in depth sub-sector analyses that have served to identify the best opportunities for Project intervention. The Project focuses on six selected sub-sectors which offer the greatest potential for growth over the project horizon: (1) tree fruit, (2) berry fruit, (3) vegetables, (4) herbs, spices and mushrooms, (5) dairy, and (6) livestock.

The project for which DAI is soliciting proposals under this RFP is aimed at the analysis of the structural effects of the trade liberalization in order to gain a better understanding of the effects on the agricultural sector as a whole, as well as on selected agricultural products.

DAI is soliciting proposals from qualified firms for providing the following service: Analysis of the effects of liberalization on Serbian agriculture within the SAA, the WTO accession and the bilateral free trade agreements with Turkey and Belarus.

This activity is described in the enclosed Scope of Work (SoW). The solicitation includes the following:

- |      |                          |             |
|------|--------------------------|-------------|
| i.   | Instructions to Offerors | (Annex I)   |
| ii.  | Scope of Work (SoW)      | (Annex II)  |
| iii. | Proposal Submission Form | (Annex III) |

DAI intends to award a FFP (firm-fixed price) agreement, or Purchase Order to the selected firm to do the work as described in the SoW.

Yours sincerely,

Louis Faoro,  
Chief of Party

## Annex I

### Instructions to Offerors

#### 1. General

The objective of the RFP is to identify a firm capable of providing: Analysis of the effects of liberalization on Serbian agriculture within the SAA, the WTO accession and the bilateral free trade agreements with Turkey and Belarus.

**All individuals and legal entities will have the right to participate in the RFP procedure providing they fulfill requirements set forth in the RFP, with the following exceptions:**

- a) Individuals or legal entities referenced in the Excluded Parties List (<http://www.epls.gov/>), from Libya, Syria, Cuba, Iran, Sudan and North Korea or from the countries with which commercial relations are prohibited by any law or standard act of Serbia are not eligible to take part in the tender procedures;
- b) No employee of DAI, or anyone who participated in the preparation of solicitation documents, Statement of Work or other documents related to this procurement may have participated in any activity with the Offeror in which the employee or consultant:
  - o Has any interest, financial or otherwise, direct or indirect;
  - o Participated in any business, transaction or professional activity; or
  - o Incurred any obligation of any nature, which is, or appears to be, or may be, perceived to be in substantial conflict with the proper discharge of the person's professional duties and execution by a person of an objective and independent professional judgment, and/or according to widely recognized professional norms of conduct.

Examples of conflict of interest may include: using confidential information for private advantage, participating in any action in which this person has a financial interest or to which they have a significant relationship, employment of a spouse or other relative of the Offeror, or holding a substantial portion of the shares of the Offeror; using the person's position to gain an advantage or benefit that a person is not otherwise entitled to; and bribery (including giving bribes to somebody and accepting bribes).

Firms wishing to submit proposals must disclose any potential or explicit conflict of interest to DAI prior to submitting a proposal.

#### 2. Cost of proposal

The Offeror shall bear all costs associated with the preparation and submission of the Proposal, and DAI will under no circumstances be responsible or liable for those costs, regardless of the outcome of the solicitation.

#### 3. Contents of solicitation documents

Proposals must comply with all requirements of this RFP. Proposals partially complying with the requirements may be rejected. The Offeror is expected to examine all corresponding instructions, forms, terms and specifications contained in the solicitation documents. Failure to comply with these documents will be at the Offeror's risk and may affect the evaluation of the Proposal.

#### 4. Clarification of solicitation documents

A prospective Offeror may request clarifications or ask questions in writing through e-mail:office@agrobiznis.net or fax number 011/344 53 63. All requests for clarifications and/or questions must be received by DAI **no later than close of business March 27, 2010**. DAI will provide responses to all questions **in writing and will make them available to all parties that confirmed submission of proposal and/or submitted questions by March 31, 2010**.

## 5. Amendments of Solicitation Documents

Modifications may be made at any time prior to Proposal submission deadline. Deadline for submission may be extended depending on the scope of a modification. Proposal validity extension may be requested. In special circumstances, a modification may take place after the proposals are received and opened, such as when USAID cancels the project or there is a stop-work order issued to the DAI under the project. Modifications after the receipt of Proposals will be communicated only to those Offerors who submitted Proposals.

## 6. Documents and Language of the proposal

The Proposals prepared by the Offeror and all correspondence and documents relating to the Proposal exchanged by the Offeror and DAI shall be written in English language. Any printed literature e.g. proof registration and similar furnished by the Offeror may be written in Serbian language.

Documents required to be submitted as part of the Proposal:

- Registration documents - Agency registration, and tax registration if applicable, as well as documents issued by the respective competent authorities certifying that the Offeror:
  - has not declared bankruptcy nor is the subject of pending bankruptcy proceedings;
  - does not have any outstanding financial obligations to the relevant Tax Department if applicable.

The Proposal should contain the following sections:

### A. Technical Proposal

- Methodology (**Not more than 5 pages**)

A clear, brief description of how each of the issues listed in the Scope of Work will be approached, which studies and methods used. Offerors may wish to provide an outline (a detailed table of content) of the report/analysis.

- Company profile to include overall description of business and main activities company is engaged in on the market. (**Not more than 2 pages**)
- Descriptions of a minimum 3 similar projects conducted in Serbia in the past three years (**not more than 1 page per project**). The description should include:
  - project title,
  - client and client's contact information,
  - approximate project value (mandatory),
  - what exactly your company did at this project (task and product / result), and
  - names and titles of key personnel on these projects.
- Key Personnel Offered for this assignment (Not more than 3 pages)

Identify key professional personnel who will be working in the assignment and their respective roles. Provide resumes of the suggested personnel. (*Note:* The personnel offered in the proposal are supposed to work on the project, and the proposal should state that the personnel included in the proposal will be working on the project.)

### B. Cost Proposal

The cost proposal of performing this assignment shall include all cost elements necessary to perform the activity, and shall be presented in the following format:

- Cost Proposal Format

Cost category	Rate	Quantity	Cost (USD)
STAFF SALARIES	USD/day	# of days	

DIRECT COSTS			
<List each item in a separate row, such as travel, accommodation, publications, data, etc. >			
.....			
TOTAL			

- Cost Proposal Narrative (**Not more than 1 page**)

The Cost Proposal Narrative shall provide sufficient detail and the explanation on each cost category so that the reasonableness of the proposed costs can be assessed as part of the evaluation of the proposal (e.g. employee compensation, firm-specific loading, including statutory loadings; brief explanation of how the other cost items were determined). All local taxes and benefits to be paid by the Offeror related to this assignment should be included in the cost proposal.

**Currency: All costs must be expressed in US Dollars.**

**C. Proposal Submission Form (Please see Annex III)**

**7. Period of validity of proposals**

Proposals shall remain valid for 30 (thirty) days after the proposals' opening. A Proposal valid for a shorter period may be rejected by the Program as non-responsive.

In exceptional circumstances, DAI may solicit the Offeror's consent to an extension of the period of validity. The request and the responses thereto shall be made in writing. Offerors will not be required nor permitted to modify their Proposals.

**8. Deadline for submission of proposals**

Proposals must be submitted in a sealed envelope, **clearly marked: Proposal RFP No. POL\_1203, not to be opened by registry, no later than April 02, 2010, at the following address:**

**DAI – USAID Agribusiness Project  
(Attn. Procurement Manager)  
Internacionalnih brigada 57  
11000 Beograd**

**Delivery to the post by 5:00 p.m. on April 02, 2010 will be considered timely delivery.**

DAI may, at its own discretion, extend Proposal Submission deadline. The Offerors will be informed in writing of such extension.

**9. Late Proposals**

Any Proposal received by DAI after the deadline for submission of proposals will be rejected.

**10. Modification and withdrawal of Proposals**

The Offeror may withdraw its Proposal after the Proposal's submission, provided that written notice of the withdrawal is received by DAI prior to the deadline prescribed for submission of Proposals.

**11. Opening of Proposals**

**Proposals shall be publicly opened at 2:00 p.m Belgrade time, on April 05, 2010 at DAI office, Internacionalnih brigada 57, 11000 Belgrade.**

At the opening, DAI staff shall declare the names of the Offerors. Proposals that have not been opened and declared during the opening procedure will not be admitted for further evaluation regardless of any circumstances.

After the opening of Proposals, DAI shall determine and announce dates for evaluation of proposals and final selection.

**12. Clarification of proposals**

To assist in the examination, evaluation and comparison of Proposals, DAI may at its discretion, ask the Offeror for clarification of its Proposal. The request for clarification and the response shall be in writing and no change in price or substance of the Proposal shall be sought, offered or permitted.

**13. Preliminary examination**

DAI will examine the Proposals to determine whether they are complete, whether any computational errors have been made, whether the documents have been properly signed, and whether the Proposals are in compliance with the requirements of this RFP.

Arithmetical errors will be rectified on the following basis: If there is a discrepancy between the unit price and the total price that is obtained by multiplying the unit price and quantity, the unit price shall prevail and the total price shall be corrected. If the Offeror does not accept the correction of errors, its Proposal will be rejected.

DAI’s determination of a Proposal’s responsiveness is based only on the materials included in the Proposal and their applicability and relevance to the proposed work, and responsiveness to the RFP requirements.

**14. Evaluation of Proposals**

Evaluation will be based on both technical merit and cost. The contract will be awarded to the Offeror with the highest overall score.

**A. Technical Evaluation Criteria**

The maximum number of points obtainable for the technical proposal is 70 points.

The technical proposal will be evaluated on the basis of its responsiveness to the Scope of Work (SoW) using the following criteria:

Summary of Technical Proposal Evaluation Forms		Points Obtainable	Company / Other Entity				
			A	B	C	D	E
1.	Proposed Methodology	25					
2.	Qualifications of the Company	20					
3.	Key Personnel	25					
<b>Total</b>		<b>70</b>					

**B. Cost Evaluation**

The maximum number of points obtainable for the cost proposal is 30.

**15. Award criteria and Proposals rejection**

The award will be issued based on the above stated evaluation criteria.

DAI reserves the right to accept or reject any Proposal, and to terminate the solicitation process at any time prior to award of the Subcontract, if:

- a. Funding is not available for this activity;
- b. No proposals have been submitted in response to the RFP within the specified date;
- c. None of the Offerors' proposals meets the requirements of the RFP; and
- d.. Other urgent and unforeseen reasons.

In addition to the considerations above, DAI reserves the right to reject any Proposal if:

- The Offeror's qualification or Proposal data are proven to be false;
- The selected Offeror refuses to enter into a subcontract; or
- The Offeror commits a proven unfair or dishonest act in order to acquire rights for the award.

In case of termination, DAI shall notify all Offerors as soon as practicable of the decision to terminate. DAI is not obligated to provide the Offerors with detailed information or specific reasons for terminating the RFP.

## **16. Payment**

It is DAI's policy not to issue advance payments to vendors. Payment shall be made upon completion of Analysis. Currency of the Firm Fixed Price (FFP) agreement or Purchase Order will be US Dollar. Payments will be executed in Serbian dinars based on valid buying exchange rate of the NBS.

## **Annex II**

### **SCOPE OF WORK**

#### **Project Background**

Development Alternatives, Inc. (DAI) is implementing the USAID funded Serbia Agribusiness Project. The Agribusiness Project is an activity that falls within the Economic Growth Strategic Objective of the USAID Mission to Serbia, and which is funded at the level of \$23.9M. The project is projected to run for five years, starting from September 28, 2007. The principal goal of the project is to increase sales by Serbian agribusinesses, either domestic or international, by making these businesses more competitive in their respective markets and to generate more jobs. The project focuses on six selected sub-sectors which offer the greatest potential for growth over the project horizon: (1) tree fruit, (2) berry fruit, (3) vegetables, (4) herbs, spices and mushrooms, (5) dairy, and (6) livestock. Over the course of the first year the project conducted in depth sub-sector analyses that have served to identify the best opportunities for project intervention.

#### **Overview**

The multilateral trade negotiations (accession to the World Trade Organization – WTO), trade negotiations under the Stabilization and Association Agreement (SAA) with the European Union (EU), and the free trade agreements with Turkey and Belarus encompass the substantial liberalization of the Serbian market in terms of tariff protections and measures having the similar effects as tariffs. When negotiating the multilateral and bilateral agreement, it is extremely important for a country to have the balanced exchange of concessions, and to try to maximize economic benefits resulting from the changes in the market access conditions. Similarly to that, the country should aim to reduce negative effect from the increased market access for imported goods and possibly impaired position for expansion of the domestic production.

The process of accession of Serbia and Montenegro to the WTO has been initiated in 2001; however, due to the declared independence of Montenegro, Serbia has solely continued its accession process as of early 2004. The accession process has not yet been completed, but Serbia has entered the final phase of multilateral and bilateral negotiations with interested WTO member countries. In order to become the full-fledged member of the WTO, Serbia will have to reduce the tariff protection of the domestic economy. The level of liberalization, and potentially transitional periods for implementation, will depend on the results of negotiations with interested WTO member countries.

The SAA is a form of contractual relationship with the EU, prescribing mutual rights and obligations, and providing for the establishment of the free trade area with the EU in a manner consistent with relevant WTO provisions. The SAA and Interim Agreement on Trade and Trade-Related Matters (which provides for implementation of the provisions of the SAA governing trade and trade matters) were signed on 29 April 2008, between Serbia and EU. These Agreements provide basis for the EU and Serbia to gradually establish the free trade area over a period of a maximum of six years starting from the entry into force of the Agreements. Following the ratification of the agreements by the National Parliament in 2008, Serbia has started unilateral application of the Interim Agreement on Trade and Trade-Related Matters as of February 1, 2009, while the EU started applying the Interim Agreement as of February 1, 2010.

The free trade agreement with Belarus has been signed on March 31, 2009 and applicable as of this date for the period of 5 years, envisioning subsequent automatic extension for the indefinite period, provided that signatory countries do not express willingness to cease the application of the agreement. The agreement with Belarus provides for liberalization of substantially all trade in agricultural products, with the exception of white sugar, alcoholic beverages and tobacco products.

The free trade agreement with Turkey has been signed in July 2009; however the agreement will be applied after the two months period from the ratification in national parliaments and exchange of information via diplomatic channels. The agreement has not been ratified by Turkey, and therefore is not yet applied. The agreement with Turkey provides for partial liberalization of trade in agricultural products, primarily through the application of tariff rate quotas, and lower tariffs for quantities of imported products within the prescribed quota.

As far as the most favored nation tariffs (MFN tariffs are concerned), currently, the agricultural sector of the Republic of Serbia is being protected through three types of duties, namely:

- 1) *Ad valorem* duties, ranging from 1% to 30%. Products with lower *ad valorem* duties encompass: inputs, raw materials or genetic material for livestock, raw materials for food industry, etc; while finished agricultural and food industry products enjoy higher protection.
- 2) *Seasonal duties* in the amount of 20% are being applied in the precisely defined season (specified time period during the year). The seasonal duties are aimed at ensuring stability of domestic production and market, and are applied to 52 tariff lines.
- 3) *Specific duties* applied on imports of specific agricultural and food products. Specific duties are applied for basic types of meat and meat products, milk, dairy products, eggs, honey, certain number of tariff lines of fruits and vegetables, and processed products thereof, sugar, alcohol, alcoholic beverages and tobacco. The specific duties are currently being applied to 425 tariff lines. The amounts of specific duties vary depending on the type of products, and range from 1.00 RSD/kg for eggs (the lowest) to 80.00 RSD/kg for all types of cheeses (the highest).

All these three types of duties represent the MFN duties of the Republic of Serbia applied on the basis of the *erga omnes* principle.

The effort proposed under the current scope of work focuses on analysis of the structural effects of the trade liberalization in order to gain a better understanding of the effects on the agricultural sector as a whole, as well as on selected agricultural products.

### I. Purpose

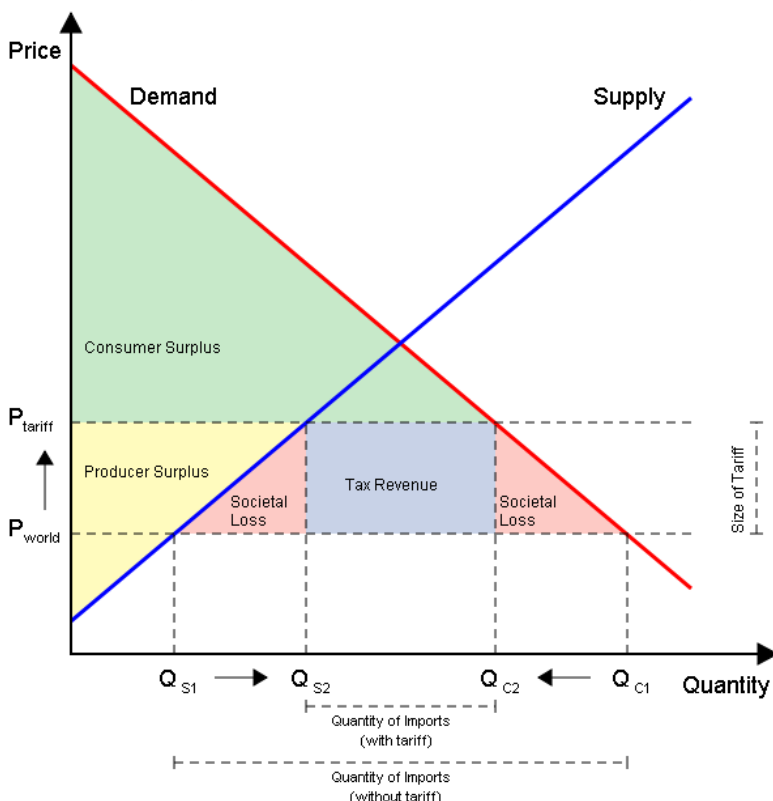
Some economic theories of trade offer the idea that gains from the tariff removal are always positive, due to the increase in competition. However, the fact that many markets operate under imperfect competition challenges the above statement.

It is widely known that tariffs have the following direct effects:

- 1) increase the price of imports;
- 2) decreases the demand for imports;
- 3) encourage the domestic production (as a substitute for imports);
- 4) increase the revenues for the government.

Subsequently, the substantial tariff reduction will certainly have the effects on:

- 1) trade balance;
- 2) market structure (market share reallocation between companies depending on their viability to adapt to new conditions);
- 3) consumer's welfare;
- 4) tax revenues;
- 5) domestic output, including also sector specific effects on: productivity & efficiency/ prices/ competitiveness/ company & farm level specific effects/ research and development.



The chart on the left analyzes the effect of the application of an import tariffs on goods.

The tariff increases the domestic price from the world price to higher price. The higher price causes the domestic production to increase, and decline in the domestic consumption.

The imposition and removal of tariffs affect all market stakeholders, in particular, producers, consumers and the state/government.

This goal of the study is to analyze and understand the implication of the liberalization on the agricultural sector and selected groups of agricultural products resulting from the accession to the WTO, application of the SAA and FTAs with Turkey and Belarus. The study will also analyze the competitiveness of Serbian agricultural products, changes and trends in production, sales and consumption, demand, foreign trade, etc. occurring as a result of the liberalization process. The study will analyze the competitive advantages to be gained or lost by Serbian agricultural products from the changes in tariffs and other non-tariff barriers resulting from Serbia's accession to international and bilateral agreements, as well as, Serbia's leading competitor countries gains and losses.

## **II. Proposed Methodology**

Due to the complexity of the proposed task, in order to be done precisely, it should include the following methodology:

- i. Analysis of existing statistical data and trends in the agricultural sector of Serbia and compare it with the respective data in other countries with similar level of development, in particular countries in the region and Serbia's main trade competitors (the data to be analyzed includes production volumes, prices, productivity, market structures, trade data, including trade distribution among selected countries, etc);
- ii. Serbian trade policies, trade balances and customs trade data analysis, including detailed analysis of trade flow data before, during and after the signing of various agreements (including also comparison with similar data in the countries in the region and in the EU, in particular recently acceded Member States of the EU);
- iii. Review of the existing reports and publications on trade liberalization (both national and international);
- iv. Interviews with key informants such as policy makers, and individuals involved in the production, processing and sale of agricultural products;
- v. Permanent discussion about conclusions on organized workshops and with individual experts;
- vi. Development of an economic model able to analyze different scenarios, in particular of trade liberalization under the WTO negotiations, since definite negotiation results are not yet available.

In addition to data analysis, the methodology must encompass: quantitative and qualitative interviews with Serbian companies and farmers, and if possible, quantitative and qualitative interviews with companies and farmers in the region and Europe, especially in the recently acceded Member States of the EU.

## **III. Activities**

The analysis should include the following basic groups of activities:

### ***1. Defining the sectors and products***

- Defining the criteria for selecting sectors and individual products within sectors that will be more thoroughly analyzed;
- Evaluation of the importance of sectors and products (quantification of importance);
- Selection of sectors and products in cooperation with the Ministry of Agriculture, Forestry and Water Management.

### ***2. Initial State Analysis***

- Collection and quantitative data analysis of, *inter alia*:
  - Total production volumes, sales and consumption and origin of the products (domestic, imported)
  - Existing resources in the sector and their importance to the sector:

- National market prices and prices in the main competitive markets, export and import prices;
- Identifying number and groups of producers and processors that are directly or indirectly linked in the market chain;
- Gathering data on the state policies and market structures:
  - Analysis of market chains existing in the targeted sectors;
  - Analysis of main competitors' directions of trade;
  - Analysis of the policies in targeted sectors.
- Data analysis of foreign and domestic trade, as well as, of the existing levels of tariff protection
  - Calculations of the Tariff Equivalents (TE%)
  - Analysis of the agreed level and path of liberalization within the SAA, WTO and FTA with Turkey and Belarus (evaluation of effects, short-term and long term);
  - Analysis of trade volumes by countries and products (understanding the strengths and weaknesses)
  - Analysis of relationships and directions of exchange in CEFTA/SAA/WTO/Turkey/Belarus

### ***3. Analysis of the expected trends and possible measures to mitigate the negative effects***

- Interviews with primary stakeholders across sectors and products
- Analysis of trends in other countries
- Analysis of current levels of competitiveness:
  - Quality, quantity and prices
  - Trade flows
- Analysis of effects on certain groups of products, producers, processors and consumers
- Identification of basic measures for mitigating negative effects of liberalization on certain participants in the market chains

### ***4. Completion and verification***

- Data grouping and recording
- Verification of conclusions by policy makers, key experts on selected sectors and products
- Presentation (quantitative and qualitative) of the effects of liberalization on selected products and sectors
- Conclusion and ranking

## **IV. DELIVERABLES**

The Study on the effects of liberalization on the agricultural sector and selected groups of agricultural products, containing, inter alia:

- Analysis for targeted sectors and products (evaluation of their competitiveness – price, quality, quantity; potential for growth; ability to compete with rising imports and contribute to positive trade balance: short term/long term scenario);
- Calculated Tariff Equivalent for targeted products, where appropriate;
- Quantitative and qualitative analysis of the effects across sectors, products and participants/stakeholders in the selected market chains (drafted scenarios in specific cases where significant uncertainties may be expected).
- Measures to mitigate negative effects of liberalization on each sector;
- Ranking of sectors and products by quantification of different impacts (positive/negative) and outlining of expected changes for each sector.

The Offerors are free to propose the methodology and the outline of the Study they find appropriate to evaluate and present the effects of the trade liberalization on the agricultural sector, and distinguish the effects of liberalization from the effects of the overall economic activity, improvements in the regulatory environment, changes in FDI, global financial crisis, broad industrial and agricultural restructuring, etc.

**V. PERIOD OF PERFORMANCE:**

Assignment schedule: April – August 2010.

**VI. LEVEL OF EFFORT (LOE):**

Offerors are free to propose the LOE they consider adequate to perform the task under this Scope of Work, having in mind the specified activities and the stated period of performance.

**Annex III**

**PROPOSAL SUBMISSION FORM**

Dear Sir / Madam,

Having examined the Solicitation Documents, we, the undersigned, offer to provide Professional Consulting Services for the Program, for the following amount: in figures \_\_\_\_\_USD  
in words:\_\_\_\_\_

In accordance with the Cost Proposal attached herewith and made part of this Proposal.

We undertake, if our Proposal is accepted, to commence and complete delivery of all services specified in the final agreement or Purchase Order in the time frame stipulated.

We agree to abide by this Proposal for a period of 30 days from the date fixed for opening of Proposals in the Request for Proposal, and it shall remain binding upon us and may be accepted at any time before the expiration of that period.

We understand that you are not bound to accept any Proposal you may receive.

Dated: month /day/year

\_\_\_\_\_  
(In the capacity of)

\_\_\_\_\_  
Duly authorized to sign Proposal for and on behalf of