

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 14 June 2023<sup>1</sup>

**SERBIA**

**PROJECT SCIENCE**

*[Redacted in line with the EBRD's Access to Information Policy]*

*[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]*

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<sup>1</sup> As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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## ABBREVIATIONS / CURRENCY CONVERSIONS

<b>Abbreviations</b>	<b>Meaning</b>
BSP area	Belgrade and the neighbouring municipalities of Stara Pazova and Pecinci
BTIF	Business Technology Incubator of Technical Faculties
CBD	Central Business District
CESMP	Construction Phase Environmental, Health, Safety and Management Plan
CREATE	City Regeneration and Environment TC
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
EUR	Euro
FDI	Foreign Direct Investment
FY	Financial Year
GBA	Gross Building Area
GDP	Gross Domestic Product
GET	Green Economy Transition
GoS	Government of Serbia
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
MDB	Multilateral Development Banks
MIA	Ministry of Internal Affairs
MoF	Ministry of Finance
MoSTDI	Ministry of Science, Technological Development and Innovation
MPI	Ministry of Public Investment
NBS	National Bank of Serbia
PD	Policy Dialogue
PIU	Project Implementation Unit
R&D	Research and Development
SBA	Stand By Arrangement
SECO	Swiss Confederation State Secretariat for Economic Affairs
SME	Small and Medium Enterprises
SPV	Special Purpose Vehicle
sqm	square metre
SSC	Sector Skills Councils
SSF	Shareholder Special Fund
STEM	Science, Technology, Engineering and Math
STP	Science and Technology Park
TA	Technical Assistance
TC	Technical Cooperation
TDC	Technological development companies
TI	Transition Impact



## **PRESIDENT’S RECOMMENDATION**

This recommendation and the attached Report concerning an operation in favour of the Government of Serbia (“GoS”, the “Borrower”, or the “Client”), is submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Borrower in the amount of up to EUR 80 million comprising two committed tranches of up to EUR 70 million and up to EUR 10 million. The purpose of the transaction is to finance the expansion and construction of new science and technology parks (“STPs”) in several locations across Serbia (the “Project”). The Borrower will implement the Project through the Ministry of Science, Technological Development and Innovation (“MoSTDI”) and the Ministry for Public Investment (“MPI”).

The transaction supports the capacity expansion of new generation property infrastructure to accommodate the needs of start-ups, and innovation-focused companies. The expected transition impact of the Project stems from the Competitive and Inclusive TI Qualities. Under the Competitive quality, the Project i) promotes entrepreneurship by supporting a large number of entrepreneurs and start-ups; and ii) will function as a vehicle for a policy dialogue with the MoSTDI and the STPs, aimed at strengthening the innovation eco-system in Serbia. Under the Inclusive quality, the Project will promote human capital development through strategic data collection, skills planning and the provision of quality internships to address skills mismatches in a number of sectors. The Project is also Gender SMART, as it aims to address existing gaps in women’s access to STEM careers in Serbia.

TC support for this operation has been provided by the Austrian CREATE Fund and the Bank’s Shareholder’s Special Fund. SSF Funding will be used to support the GoS and STPs to build a more robust and harmonised performance management system. It will also support the human capital component of the Project focusing on the delivery of more and better internship opportunities and addressing the skills needs of STPs to local educational institutions.

I am satisfied that the operation is consistent with the Country Strategy for Serbia 2018-2023, the Property & Tourism Sector Strategy 2020-2024, Approach to Accelerating the Digital Transition 2021-2025, Equality of Opportunity Strategy, the Strategy for the Promotion of Gender Equality, Green Economy Transition Approach and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

**Odile Renaud-Basso**

## BOARD DECISION SHEET

SERBIA - Project Science - DTM 54083	
<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for a sovereign loan of up to EUR 80 million in favour of the Government of Serbia (“GoS”, the “Borrower”, or the “Client”) for the purpose of financing the construction and expansion of modern science and technology parks (“STPs”) in Serbia (the “Project”). The loan will comprise two committed tranches (100% GET). The Bank’s first tranche of EUR 70 million will be used to finance the construction, fit-out and purchase of new equipment for the expansion of existing and development of new STP facilities in the cities of Niš, Čačak, and Kruševac, all of which are managed by the public sector owned SPVs (“Phase 1”). The second tranche of EUR 10 million will be used for the development of new STP facilities within the new biotechnology park Bio4 in Belgrade or potentially expansion of existing STPs in Belgrade and Novi Sad subject to the GoS’s priorities and timeline (“Phase 2”). The loan will have a tenor of up to 10 years.
<b>Client</b>	The Client is the GoS, represented by the Ministry of Finance (“MoF”). The Project will be implemented through (i) the Ministry of Science, Technological Development and Innovation (“MoSTDI”) which is the key implementation unit (“PIU”) for the Project; and (ii) the Ministry for Public Investment (“MPI”), which will be responsible for preparation of tenders, contracting, and supervision of works on the Project sites until the buildings are handed over to the relevant SPVs for management. The operations of specific STPs are managed by SPVs that are established under a mixed ownership structure, including the state, municipality, public institutions, and/or business associations.
<b>Main Elements of the Proposal</b>	<p><u>Transition Impact</u></p> <p><i>Primary Quality – Competitive.</i> The Project will promote entrepreneurship by supporting a large number of entrepreneurs and innovation-focused companies hosted in the STPs. The Project is also a vehicle for a policy dialogue with the MoSTDI and the STPs aimed at strengthening the innovation eco-system in Serbia and reinforcing the alignment of the STP’s practices with international best practices in critical areas, including the parks’ performance management systems (including a review of innovation outcomes), governance structures of the STPs, tenants’ selection and retention criteria and subsidy allocation mechanisms.</p> <p><i>Secondary Quality – Inclusive.</i> The Project will promote human capital development through the provision of quality internships and address skills mismatches by (i) better communicating the needs of the market to educational institutions and (ii) allowing for the development of skills strategies in STPs.</p> <p><u>Additionality</u> - The Bank’s additionality will stem from two sources: the financing structure as well as standard-setting.</p> <p><u>Sound banking</u> – The Project is a sovereign loan.</p>
<b>Key Risks</b>	Key risks include sovereign risk, tenant risks, market demand risks, and implementation risks.
<b>Strategic Fit Summary</b>	The Project is aligned with the Bank’s <b>Country Strategy for Serbia 2018-2023</b> with supporting the role of SMEs, new technologies and innovation, and improvements in the business climate. The Project is also aligned with the Bank’s <b>Property &amp; Tourism Sector Strategy 2020-2024</b> , which identifies as priority policy dialogue to support urban development and regeneration in a holistic way, including through the promotion of efficient public-private cooperation, development of sustainable and green properties and climate mitigation outcomes. It is also aligned with the EBRD’s <b>Approach to Accelerating the Digital Transition 2021-2025</b> that defines a “digital project” as one that helps deliver innovation and sustainable growth among start-ups and digital-first clients through an eco-system of policy, advisory as well as finance. In particular, the Approach explicitly identifies the central role of innovation hubs and accelerators. The Project is further aligned with EBRD’s <b>Equality of Opportunity Strategy</b> and the <b>Strategy for the Promotion of Gender Equality</b> supporting human capital development and women’s equal access to employment.

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

The Project is also aligned with the **Green Economy Transition Approach**, as the GET share of the Project is expected to be 100%.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	The transaction consists of a sovereign loan of up to EUR 80 million to the Government of Serbia (“GoS”, the “Borrower”, or the “Client”) for the purpose of financing the construction and expansion of modern science and technology parks (“STPs”) in Serbia (the “Project”). The loan will comprise two committed tranches (100% GET): Tranche 1 of EUR 70 million and Tranche 2 of EUR 10 million.
<b>Existing Exposure</b>	As of March 2023, the Bank’s total amount of sovereign portfolio in Serbia was EUR 1.2 billion [REDACTED]
<b>Maturity / Exit / Repayment</b>	10-year tenor [REDACTED]
<b>Potential AMI eligible financing</b>	<i>None.</i>
<b>Use of Proceeds</b>	The loan proceeds of Tranche 1 will be [REDACTED] used to finance the construction, fit-out and the purchase of new equipment for the expansion of existing and development of new STP facilities in the cities of Niš, Čačak, and Kruševac (“Phase 1”), to support critical infrastructure for the incubation and growth of innovative start-ups and businesses in Serbia. The loan proceeds of Tranche 2 will be used to fund the development of new STP facilities within the new biotechnology park Bio4 in Belgrade or potentially expansion of existing STPs in Belgrade and Novi Sad subject to the GoS’s priorities and implementation timeline (“Phase 2”).[REDACTED].
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	<ul style="list-style-type: none"> <li>• The Ministry of Finance</li> <li>• The Ministry of Education, Science and Technological Development and Innovation</li> <li>• The Ministry of Public Investment</li> <li>• SPVs managing the STPs</li> </ul>
<b>Conditions to effectiveness</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	None (sovereign loan).
<b>Other material agreements</b>	Project Agreement
<b>Associated Donor Funded TC and co-investment grants/concessional finance</b>	<p><b>Technical Cooperation (TC)</b></p> <p><i>Pre-Signing:</i> Environmental and Social, Technical, Climate Risk Procurement, Legal and Financial Due diligence</p> <ul style="list-style-type: none"> <li>• Funding source: Austrian CREATE fund</li> <li>• Amount / currency and funding status: EUR 225k, “confirmed”</li> </ul> <p><i>Post Signing:</i> SSF Funding will be used to support (through advisory and capacity building) the Serbian government and STPs to build a more robust and harmonised performance management system across the STPs [REDACTED] An additional envelope will support the human capital component of the project focusing on the delivery of more and better internships and channelling the skills needs of STPs to local educational institutions.</p> <ul style="list-style-type: none"> <li>• Funding source: SSF</li> </ul>

	<ul style="list-style-type: none"><li>Amount/currency and funding status: Competitive – EUR 275k, “confirmed”, Inclusive – EUR 50k, “confirmed”</li></ul>
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[REDACTED]



## **INVESTMENT PROPOSAL SUMMARY**

### **1. STRATEGIC FIT AND KEY ISSUES**

#### **1.1 STRATEGIC CONTEXT**

Science and Technology Parks (“STPs”) are purpose-built clusters that provide access to space, facilities and tailored value-added non-financial services to companies (tenants) that are mostly start-ups and more mature innovation- and technology-based companies. STPs are generally located near universities or other research institutions, whereby the proximity facilitates mutually beneficial knowledge and technology transfers. STPs are becoming increasingly widespread globally as a policy instrument deployed by governments to promote innovation, entrepreneurship and regional economic development. According to a study conducted in 2014, ca. 900 STPs exist globally, of which more than one third is located in Europe.

The Bank intends to provide a sovereign loan to support the expansion of the STPs system in the Republic of Serbia. Through the first tranche of up to EUR 70 million, the investment will finance the expansion of the existing STPs in Niš and Čačak and also support the transformation of the business incubator located in Kruševac into a more comprehensive STP (“Phase 1”). [REDACTED]. The second tranche of up to EUR 10 million will be used to finance the development of new STP facilities within the new biotechnology park Bio4 or further expansion of STPs in Belgrade and Novi Sad subject to priorities of the Government of Serbia (the “GoS”) and implementation timeline (“Phase 2”). Both phases are expected to incorporate green and sustainability standards which are expected to deliver 100% GET share of the Project. So far, these entities have provided facilities and services to support the growth of nascent and innovative businesses across the country. The four existing STPs and the Business Incubator in Kruševac currently host ca. 180 companies, of which the majority are start-ups. As the existing STPs are approaching full capacity in terms of rental space, the potential to attract and host more tenants is increasingly limited.

The GoS considered the establishment of STPs for several decades primarily as a policy instrument to promote innovation, alongside the development of the local economy and the support of entrepreneurship. The first modern park in the country was established in Belgrade in 2015. More recently, the network of STPs has expanded, with three additional STPs established in Novi Sad, Niš and Čačak between 2020 and 2021. The STP in Kruševac is still in planning stage (it is expected to be an expansion of the existing business incubator). In addition, the GoS is also planning to establish a new Bio4 campus in Belgrade (focusing on biotechnology, biodiversity, bioinformatics and biomedicine), part of which will host an extension of the STP Belgrade and several private sector companies and R&D centers. The parks vary widely in terms not only of their stage of development, but also of the environment in which they are located (e.g., the industries in which companies tend to operate and the overall local development strategies). All the STPs are owned by public sector entities, including the central and/or the local government and the universities and/or research institutions each of the STPs

collaborates with. Further details regarding STPs as a policy instrument and the features of STPs in Serbia are included in Annex 5.

Competitive is the primary TI Quality for the Project. It promotes entrepreneurial initiative by supporting the current large number of entrepreneurs, start-ups and innovation and technology-development companies hosted in the STPs, as well as the growth of the tenant base thanks to the creation of additional rental space for office, production and co-working spaces and the associated additional equipment for R&D activities. In addition, the Project is a vehicle for a comprehensive and novel competitiveness-focused policy dialogue, underpinned by TC support, with the MoSTDI and the STPs. The policy dialogue aims to strengthen the innovation eco-system in Serbia and reinforce the STPs' practices in their alignment with the international best practice for the establishment, management and operation of STPs. The policy dialogue will put specific emphasis on those areas where the STPs display opportunities for further enhancement (e.g., the robustness and harmonisation of their performance management systems including a focus on tenant demographics and performance, innovation outcomes to the extent possible and spill-overs to the local economy, their strategic orientation, the role of the private sector in the management and operations of the parks and the financial sustainability of their business models).

The secondary quality is Inclusive. Supported by a TC, the Project aims to address the challenge of an inadequately educated workforce<sup>3</sup> in the sector by rolling out an extensive programme of quality internships across the STPs aligned with EU standards. This will allow existing students from universities to be partnered with STPs to gain market-relevant skills as part of their curricula and support their transition into work. The Project also aims at improving the longer-term suitability of university graduates for the job market by creating channels of communication between STP tenant companies and educational institutions and Skills Councils to inform the latter on emerging skills needs. The identification of future skills needs will be done through dedicated data collection in the context of the STPs' strategic skills planning, also enabled by the TC.

The two transition qualities of the Project are linked and self-reinforcing. Companies that successfully grow their business will become providers of economic opportunities for young graduates and maintain local human capital by reducing outwards migration and/or attracting workers. Better skilled workers in activities with high growth potential will support the innovation eco-system development across STPs.

The Project also aims to address existing gaps in women's access to STEM careers in Serbia – through commitments on the share of women participating in internships, the gender mainstreaming of the initiative (gender-sensitive training of mentors and induction material for participants) and an outreach initiative from female STP workers

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<sup>3</sup> Management skills have been identified as critical to growth and productivity in the Serbia Country Strategy, which also highlighted skills mismatches for youth, caused by an education system that "does not ensure that young people acquire skills required by employers". As a result, 37 per cent of Serbian firms reported an inadequately educated workforce as an obstacle to current operations.

to local schools to build interest and address existing biases in the sector – and qualifies as Gender Additional.

The Project further delivers GET by actively using public channels of transition impact within the Bank’s mandate to deliver energy efficiency and climate mitigation outcomes. The GET share of the Project is expected to be 100%, which is subject to each building meeting energy class B, one class above the minimum national standard in Serbia.

The objectives pursued by STPs fit well with the EBRD’s mandate for private sector development. The Project is aligned with: (i) the Country Strategy for Serbia 2018-2023 that priorities strengthening the role of SMEs in the economy, supporting new technologies and innovation, as well as advocacy for improvements in business climate; (ii) the Property & Tourism Sector Strategy 2020-2024, which identifies as an operational priority policy dialogues to support urban development and regeneration in a holistic way, including through the promotion of efficient public-private cooperation (STPs are in fact clusters within urban areas that can be present both in primary and secondary cities and tend to be based on a strong partnership between the government, an institutional knowledge base and the business community) The sector strategy also identifies development of green and sustainable properties and climate resilient planning practices; (iii) the EBRD’s Approach to Accelerating the Digital Transition 2021-2025 that defines a “digital project” as one that helps deliver innovation and sustainable growth among start-ups and digital-first clients through an eco-system of policy, advisory as well as finance, while also identifying the central role of innovation hubs and accelerators in the digital transformation; (iv) the Equality of Opportunity Strategy and the Strategy for the Promotion of Gender Equality supporting human capital development, addressing skills mismatches and promoting women’s equal access to employment across all sectors of the economy; (v) the Project is also aligned with the Green Economy Transition Approach.

## 1.2 TRANSITION IMPACT

### Primary Quality: Competitive

Obj. No.	Objective	Details
1.1	<i>The project will promote entrepreneurship by supporting a large number of entrepreneurs ([REDACTED] franchise entrepreneurs or [REDACTED] start-up/VC entrepreneurs).</i>	The Project will support the expansion of the existing STPs in Serbia, all of which have currently reached almost full capacity ([REDACTED]). The tenants of STPs in Serbia comprise primarily of start-ups during their incubation and initial development phase, as well as some more mature companies (still small and medium-sized companies) focusing on innovation and technology development. See Annex 5 for further details. Through the Project, the STPs will continue to support entrepreneurship by attracting new tenants and by supporting the development of existing tenants through the expansion of space and facilities required for tenants to successfully grow their business.. [REDACTED].
1.2	<i>The client/sponsor will engage in a competitiveness-focused policy dialogue initiative that is relevant in the country and sector context, taking a supporting</i>	Through the Project, the Bank is engaging in a comprehensive and novel policy dialogue, underpinned by TC support, with the GoS (in particular the MoSTDI) and the local STPs. The policy dialogue aims to offer advisory and capacity building to align STP operations and governance with international best practice and strengthen the innovation eco-system in Serbia. The policy

	<p><i>role (e.g. a client joining a well-established initiative, launching an initiative with a limited/specialised impact, or with engagement limited to attending meetings etc.)</i></p>	<p>dialogue is structured in three distinct components (please see also Annex 6). The implementation of recommendations under all components will be supported by action plans endorsed by GoS and STPs, as well as capacity building as necessary.</p> <ol style="list-style-type: none"> <li>1. <b>Performance management system:</b> The policy dialogue will support the establishment of a more robust and harmonised performance management system across the parks in order to inform the decision-making regarding day-to-day operations of the parks and assess the delivery on the policy objectives pursued through the STPs. This includes the enhancement of STP's KPIs, with emphasis on measures of innovation as well as relevant costs and benefits. Recommendations should also pave the way for future impact evaluations.</li> <li>2. <b>Strategic orientation and transition towards greater effectiveness and sustainability:</b> This component will target the recently established parks (Niš, Čačak, Kruševac and Novi Sad) to identify plausible pathways for each STP with regard to: (i) strengthened strategic orientation; (ii) greater role of the private sector in the STPs' operations (e.g., representation in governance structure, feedback mechanisms); (iii) opportunities for gradually transitioning towards greater financial sustainability [REDACTED]that preserves the STPs' ability to deliver on their policy objectives; (iv) strengthening tenant selection and retention criteria (e.g., specialisation, performance expectations, graduation).</li> <li>3. <b>Linkages within the Serbian innovation eco-system:</b> The main expected outcome is the establishment of an "STP network" to create stronger linkages among STPs to facilitate: (i) external promotion of the STPs; (ii) knowledge and technology transfer. The Bio4 campus is also expected to participate in the "STP network" as appropriate.</li> </ol>
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### Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	<p><i>EMPLOYABILITY: The Project broadens access to market-relevant skills and training opportunities, boosting the supply of human capital with demonstrably moderate need and robust effectiveness.</i></p>	<p>The Project will enhance employability of graduates and workers in Serbia by setting up a high quality, market relevant and gender sensitive internship framework supporting skills in either STEM activities or management/business activities supporting STEM<sup>4</sup>. Through EBRD's support, the client and STP administrations will commit to designing and delivering internally certified internships that meet predefined minimum European Commission and EBRD standards, and deliver tangible skills in the activities hosted by STPs. The design, set-up, implementation, delivery monitoring and improvement through initial feedback loops of these and other additional standards will be supported by a TC assignment. The exact modalities of the internship programme conditions and certification will be fine-tuned through stakeholder participation involving STPs, tenants (managers and workers) and partner educational institutions and their students, taking particular attention to attracting more women into STEMs.</p> <p>The improvement in quantity and quality of internships provided through a highly visible, gender responsive initiative across a wide range of firms, in sectors with important growth potential, will</p>

<sup>4</sup> While the exact activities of future STP tenants may vary, these will comply with the eligibility and prioritisation criteria of STPs focusing on innovation, technology transfer or export-oriented activities supporting the country's Smart Specialisation Strategy.

		contribute significantly to addressing skill mismatches and supporting human capital development in the country, including increasing the role of women in STEM careers.
2.2	<i>EMPLOYABILITY: The Project delivers inclusive business policies, practices or standards at the client level with verifiable commitment within 3 distinct behavioural change areas.</i>	<p>The Project will deliver on three behavioural change areas listed below:</p> <p><u>1. Formal skills strategy responding to emerging / future needs:</u> STPs will identify and act upon key skills gaps based on data collection and discussions with tenants, through a structured platform. As of today, there is no dedicated and systematic collection of information leading to actionable recommendations to close existing skills gaps through a well-defined skills strategy. The TC assignment will define a methodology and framework/template for data collection, analysis and strategy structuring across STPs and ensure its implementation over the duration of the project. The strategy conclusions will make clear and actionable suggestions to address emerging challenges and distinguish actions that can be undertaken within/between STPs<sup>5</sup> from actions that require involvement with relevant institutions as described below.</p> <p><u>2. Formal partnerships with local education/training providers:</u> Despite existing links between universities and STPs, e.g. through representation on STP Boards, there are no formal and systematic channels focusing on addressing skills challenges in a periodic and structured manner. As a result of the Project, the insights gained from STP information collection will be communicated to identified partner Universities/educational institutions' skills advisory boards through a formal process. This process will be defined through the TC and agreed among stakeholders. If skills advisory boards do not exist in partner Universities, the TC assignment will make recommendations on structuring such bodies.</p> <p><u>3. Contribution to policy engagement:</u> As of today, there is no systematic channelling of STPs needs and concerns to Sector Skills Councils (SSCs). Supported by the TC assignment, STPs will consolidate their skills gaps assessment across the network and communicate these to SSCs in Serbia.</p>

**Delivery Risks:** Delivery risks mainly relate to potential difficulties and delays [REDACTED]. While some of these risks are inherent to ambitious policy components, the risks in this project are mitigated by extensive consultations that have been conducted with the GoS, each STP, as well as other stakeholders (e.g., other donors). The TC project that will underpin the policy dialogue has been agreed with all beneficiaries [REDACTED]. In terms of the physical implementation of the Project more generally and with regards to construction of the buildings, potential risks stemming from project delays, cost overruns, lack of capacity etc. should be mitigated by the fact that the project will be implemented in line with EBRD procurement rules. Furthermore, the Ministry of Public Investments has experience in delivering STPs in Serbia and is staffed with experienced professionals in the field.

### 1.3 ADDITIONALITY

<sup>5</sup> E.g. knowledge-sharing on solutions across tenants, pooled recruitment, internal upskilling initiatives, and facilitating staff mobility between STP tenants



Identified triggers	Description
[REDACTED]	[REDACTED]
Additionality sources	Evidence of additionality sources
<b>Financing Structure</b> - Public sector: EBRD investment is needed to close the funding gap. At the same time, EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.	The Bank provides long-term financing of up to 10 years [REDACTED], which is not readily available in Serbia from local or international commercial banks in the real estate sector [REDACTED]. The proposed tenor is hence above the market average, and is necessary to structure the Project and close the funding gap.
<b>Standard-setting: helping projects and clients achieve higher standards</b> – Client seeks/makes use of EBRD expertise over <b>energy and resource efficiency and climate resilience</b> financing via provision of energy and climate audits, minimum performance standards of technologies, climate-related strategies and policies, monitoring, reporting and verification (MRV) systems etc.	As part of the pre-signing TC, the Bank engaged a consultant to undertake a climate resilience due diligence assessment of the STP Parks. The Client is expected to address several climate risks which were identified and recommendations made on how to change certain parts of the parks' project designs and construction methods to make the buildings more resilient to climate change.
<b>Policy, sector, institutional, or regulatory change</b> – EBRD's involvement in a project is considered additional when it is designed to <b>trigger a change in the policy</b> , sector, institutional or regulatory framework, or enhance practices at the sector or country level (e.g., an introduction of cost-reflective pricing of energy, water etc.).	The Project is accompanied by an EBRD-funded post-signing TC project that will facilitate a comprehensive and innovative policy dialogue relating to innovation in Serbia. The goal will be to strengthen the innovation eco-system in the country, on the back of an investment that will support the continuous operations and expansion of the STPs in the country that represent core actors in this eco-system. The policy dialogue will also aim to strengthen the alignment of the STPs' with the international best practice, focusing specifically on the areas where some gaps have been identified, and therefore supporting the parks' ability to deliver successfully on their policy and operational objectives.
<b>Gender SMART:</b> Client seeks/makes use of EBRD expertise for the adoption of <b>gender standards and/or equal opportunities action plans</b> .	The STPs will make use of EBRD in-house expertise and external experts through a TC for the adoption of higher gender-standards. The consultant will support the STPs to set up a Network of women in STEMs occupations in the STPs and outline an outreach campaign for girls in STEM and entrepreneurship. Internship programme will be designed with a gender lens (i.e. addressing unconscious gender biases, encouraging positive image of women in male dominated STEM occupations, ensuring that existing gender stereotypes are not reinforced, etc) and internship mentors will receive gender-sensitivity training.

#### 1.4 SOUND BANKING - KEY RISKS

Risks (Probability/Effect)	Comments
<b>Sovereign and sub-sovereign risks (Medium/ High)</b>	<ul style="list-style-type: none"> <li>Sovereign Risk stems from geopolitical uncertainties, volatile economic environment, high dependence of the Project on sovereign funding, subsidies and transfers, FX and interest rate risks.</li> </ul> <p><i>Mitigating factors:</i></p> <ul style="list-style-type: none"> <li>The country is expected to maintain macroeconomic stability despite prominent downside risks driven by the Russia-Ukraine conflict.</li> <li>Serbia (BB+/Stable by S&amp;P) is the highest rated and most resilient economy among the Western Balkans peers. The Project is 100% owned by the State of Serbia, with a stable and experienced Government.</li> </ul>

	<ul style="list-style-type: none"> <li>GDP growth slowed to around 2.3% in 2022 and is expected to be around 3% in 2023. The current account deficit widened from 4.3% of GDP in 2021 to an estimated 6.9% of GDP in 2022, largely on the back of the increased energy import bill and weakening external demand. The current account deficit remains roughly covered by net FDI inflow, which reached record levels in nominal terms in 2022 and is estimated at 7.1% of GDP. Gross debt to GDP is moderate (&lt;55%), but exposed to FX risks (72%).</li> <li>FX is relatively stable, FX reserves remain adequate [REDACTED] Net FDI inflows have strengthened export base and supported FX reserve position. According to the Fitch rating (Feb -23), FX reserves increased in 2022 to an all-time high of EUR 19.5 billion at end December, despite a sharp energy-driven deterioration in the current account balance, demonstrating resilience to the confidence shock from the war in Ukraine.</li> </ul>
<b>Implementation risks (Low / High)</b>	<ul style="list-style-type: none"> <li>Implementation risk stems from potential project delays, cost overruns, lack of capacity and expertise to implement the Project.</li> </ul> <p><i>Mitigating factors:</i></p> <ul style="list-style-type: none"> <li>The Project will be implemented in line with the EBRD procurement policy.</li> <li>The Ministry for Public Investment (“MPI”) appears to be adequately staffed with experienced professionals and so far has delivered three STPs in Serbia.</li> <li>Construction works will be tendered and implemented through an international tender according to EBRD PP&amp;R and also industry recognized FIDIC principles (Red book) which is expected to lower the risks of implementation with better costs control. The Project will also have externally hired consultants to provide procurement and implementation support to the MPI, as well as technical supervision during the implementation stage.</li> </ul>
<b>Market demand and Tenant solvency (Medium / High)</b>	<ul style="list-style-type: none"> <li>The Project significantly increases the supply of STPs. The Project is aimed to tenants with riskier business profiles which are more vulnerable to systematic shocks and prone to sudden decline in collections [REDACTED], especially in the less developed cities, such as Niš, Kruševac and Čačak</li> <li>[REDACTED]</li> </ul> <p><i>Mitigating factors:</i></p> <ul style="list-style-type: none"> <li>A direct sovereign loan has been approved for EUR 80 million in the Government of Serbia budget for 2023. The tenant base appears to cover fragmented and diversified sector across different locations in Serbia. STPs facilities are almost fully occupied and there is already indicative demand for expansion of facilities. [REDACTED]</li> </ul>

## 2. MEASURING / MONITORING SUCCESS

<i>Overall objectives of project</i>	<i>Monitoring benchmarks</i>	<i>Implementation timing</i>
- On-time project implementation	- Completion according to the timeline and within the budget (“Phase 1”)	[REDACTED]

### TI indicator(s), primary Quality: Competitive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date (from signing)	TC
1.1	Client enters or expands activities in a domestic market	The STPs in Serbia will host [REDACTED] tenants [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1.2	Client engages in policy dialogue: providing substantial contributions to activities	The actions plans in relation to the three policy components (performance management; strategy, effectiveness and sustainability; eco-system linkages) are finalised in consultation with the GoS and the STPs.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Client engages in policy dialogue: providing substantial contributions to activities	All STPs implement the action plans to enhance their performance management systems, with a focus on KPIs for innovation outcomes.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.4	Client engages in policy dialogue: providing substantial contributions to activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Client engages in policy dialogue: providing substantial contributions to activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.6	Client engages in policy dialogue: providing substantial contributions to activities	An “STP network” is established with participation of the Bio4 campus [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

### Secondary Quality: Inclusive

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date	TC
2.1	Tailored training programme developed and implemented	Set of recommendations on good quality, gender-responsive internships in line with EU and EBRD best practice leading to an internal certification to be agreed upon by all STPs and consolidated through a letter of intent, MoU or equivalent to be delivered [REDACTED]. The compliance with the guidelines (for certified internships) will be monitored throughout the duration of the TC and allow for feedback loops to improve the programme in the remaining time.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of individuals enhancing their skills as a result of training	Students from partner universities to participate in internships across all 5 STPs, supporting the	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



		development of skills in STEM, and business/management.[REDACTED].				
2.3	Practices of the relevant stakeholder improved (skills development)	TC to deliver a platform/framework for all STPs to collect information on skills-related challenges (disaggregated by gender, age and other characteristics) from tenants, leading to the structuring of an actionable skills strategy to be delivered [REDACTED] and allowing oversight and improvements in the remaining time.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Partnership between private sector and education providers established or strengthened	Intent letter, MoU or equivalent between STPs and local educational institutions counterparts selected/identified through the TC assignment defining a formal and structured way for STPs to channel information on skills challenges, including by setting up new structures if necessary to be delivered [REDACTED] and implemented hereafter during the remaining period.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.5	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s)	Intent letter, MoU or equivalent between STPs and Sector Skills Councils to set up formal arrangements to ensure the sharing of recurring consolidated skills gap assessments to be delivered [REDACTED] and implemented hereafter.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

#### Additional Indicators

Indicator type	Monitoring indicator	Details	Baseline	Target	Due date	TC
Gender SMART	Practices of the relevant stakeholder improved (others)	Set-up a Network of women working in STEM in STPs that will deliver outreach programme for girls in schools. Consultants to help organise [REDACTED] high profile school outreach events targeting girls by each of the 5 STPs [REDACTED] and monitor subsequent events	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

		ran by the network throughout the remaining period [REDACTED]more per STP, allowing feedback loops for further improvement.				
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### 3. KEY PARTIES

#### 3.1 BORROWER

The Borrower is the Government of Serbia, represented by the Ministry of Finance (“MoF”). The Project will be implemented through (i) Ministry of Science, Technological Development and Innovation (“MoSTDI”) which is the key implementation unit (“PIU”) for the Project; and the Ministry for Public Investment (“MPI”), which is responsible for preparation of tenders, contracting, supervision of works and operations on project sites until the final handover of buildings to relevant SPVs. The ultimate beneficiaries are STPs managed by SPVs that are established under the mixed ownership structure, including the state, municipality, public institutions, and/or business associations.

#### **STPs under expansion (“Phase 1”)**

**STP Niš** is operational since 2020 and is owned by the City of Niš (40%), the Republic of Serbia (40%) and the University of Niš (20%). It is regional centre for the innovative scientific and technological development, it is located in close proximity to the Faculty of Engineering of Niš with which it cooperates closely [REDACTED].

**STP Čačak** was founded in 2011 and has operated as a business incubator until June 2020, when it was relocated to expand capacities, offering both production and office space to its members. It is owned by the City of Čačak (40%), the Republic of Serbia (40%), the University of Kragujevac (8%), the Fruit Research Institute (4%) and two Business Associations (8%). [REDACTED].

**Business Incubator Kruševac** was founded in 2008 by the City of Kruševac (100%) with the intention of helping improve the development of entrepreneurship, growth of companies and innovation of new technologies. [REDACTED].

#### **STPs to be established or expanded soon (“Phase 2”)**

##### **New Bio4 park and campus**

The GoS is planning to develop in Belgrade a modern research, science and technology facilities in the area of biotechnology, bio medicine, bio informatics and biodiversity, which will (among many other components) also incorporate business-related institutions and facilities: an extension of the STP Belgrade and also four business buildings (15,000-20,000m<sup>2</sup> in total) that will be rented to privately owned companies with complementary business activities (i.e. pharma and life science). Those facilities will be located next to the much larger GoS development scheme that will integrate five existing faculties of the University of Belgrade, nine scientific institutions, conference facilities and other related amenities around the new campus. [REDACTED].

**STP Belgrade** was founded in 2015 by the Republic of Serbia (60%), City of Belgrade (20%) and University of Belgrade (20%). [REDACTED].

**STP Novi Sad** was founded by the Autonomous province of Vojvodina (100%) in 2021. It was designed and developed in close collaboration with the Faculty of Technical Sciences of the University of Novi Sad. This is the largest STP in Serbia with GBA of 29,490 sqm and is located well-developed technology ecosystem around the

Faculty of Technical Sciences in Novi Sad, which is one of the leading high education institutions in Serbia in applied scientific research and great contribution to innovations and new technologies. . [REDACTED].

#### 4. MARKET CONTEXT

*Macroeconomic Outlook:* (Serbia: BB+, Stable Outlook, Feb 2023). The Serbian economy grew by 2.3 % in 2022, mainly driven by private consumption and investment. The consequences of the war in Ukraine, however, are weighing on Serbia's exports, FDI, remittances and tourism. Headline inflation reached 12.5 % due to higher commodity prices, and the central bank has raised its rate to 5.5 % to bring it back into single digits by the end of the year. FX reserves were stable, at record levels in January 2023 on the back of repeated access to external funding in 2020-22, including through the 24-month Stand By Arrangement (SBA) with the IMF agreed on in December 2022, and helped by strong remittances and exports.

*Science and Technology Parks:* also known as science parks, research parks and innovation centres, are important policy components of research and innovation ecosystems. In Europe, the first technology parks were created in 1972 with Sophia-Antipolis in France and the science parks at Cambridge University in England to serve the needs of entrepreneurially-minded academics and to promote university-industry collaboration. STPs are increasingly being deployed by governments in both advanced and developing economies. STPs display a degree of heterogeneity in terms of their configuration, business models, ownership and governance, partly owing to differences in the local context in which they are located. The 2021 International Association of Science Parks<sup>6</sup> survey reveals that ca. 50% of the STPs surveyed are owned by the public sector and ca. 27% is characterised by mixed ownership, with a combination of public and private sector. The majority of the STPs also reports to receive financial support from the public sector.

STPs in Serbia (total GBA of 64,000 sqm) have emerged as a key policy instrument for the promotion of innovation and digital transformation, the support of entrepreneurial initiative and the promotion of local economic development, as reflected in the country's laws and strategic documents.

The idea behind the Belgrade STP was formally conceived in 1989. It took approximately 20 years for this idea to give rise to the Business Technology Incubator of Technical Faculties (BTIF), which was the first technology incubator in Serbia founded by the technical and engineering schools of the University of Belgrade, with the aim to promote entrepreneurship among young and educated people specializing in technology. The conversion of this incubator into the fully-fledged STP that it is today occurred in 2015. Since then the network has expanded, with the STPs in Niš and Čačak established in 2020 and the STP in Novi Sad established in 2021. Details about the existing STPs are presented below.

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<sup>6</sup> IASP- global network of science parks from 78 countries. IASP was created 1984, currently has 350 members (representing >115k companies).

## 5. FINANCIAL / ECONOMIC ANALYSIS

### 5.1 FINANCIAL ANALYSIS

[REDACTED]

### 5.2 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

## 6. OTHER KEY CONSIDERATIONS

### 6.1 ENVIRONMENT

Categorised B (2019 ESP). Environmental and social due diligence (ESDD) was undertaken by an external consultant and included corporate audit, site visit, and a review of available project information provided by the Client. The Project involves a sovereign loan to the Government of Serbia for the construction, fit-out and purchasing of new equipment for the expansion of existing, and the development of new, Science and Technology Parks (STPs) in the cities of Niš, Čačak, and Kruševac (“Phase 1”) and the development of new STP facilities within the new biotechnology park Bio4 or further expansion of STPs in Belgrade and Novi Sad subject to the GoS’s priorities and timeline (“Phase 2”). The STPs are purpose-built clusters that will provide access to space and facilities to companies (tenants) that are mostly start-ups, and more mature innovation and technology-based companies. The ESDD showed that the client is in compliance with national EHHS legislation and has adequate E&S risk management capacity to implement the Project in line with the PRs. The gaps and potential impacts identified have been addressed via an Environmental and Social Action Plan (ESAP), which has been agreed with the client prior to the Board. As part of the ESAP, Phase 2 will be subject to additional ESDD and changes to the ESAP will be agreed with the client if required. The STP expansion does not require national Environmental Impact Assessment (EIA) study or an environmental permitting process, but it will be required to obtain construction and use permits from the Ministry of Internal Affairs (MIA). Centralised E&S management system and project specific E&S procedures for each STP will need to be developed by a dedicated Project Implementation Unit (PIU), and key E&S requirements will be incorporated via the procurement process to cover construction and operations phases. For each building, a site-specific Construction Phase Environmental, Health, Safety and Social Management Plan (“CESMP”) will be developed and implemented by the contractor and approved by the PIU prior to start of construction. An Environmental and Social Management Plan has been developed during ESDD; it outlines the E&S mitigation measures to be followed during the construction phase of the Project and will be included in the construction contractors’ contract. The existing STPs are compliant with the national labour law, but some improvements are required to written procedures for employees and contractors, in particular with respect to working hours and the grievance mechanism. All project procurement will be carried out in compliance with the national Law on Public Procurement and EBRD procurement rules.

The possible presence of Asbestos Containing Materials in the existing buildings cannot be discounted. An asbestos surveys will be conducted for each building, and the implementation of an Asbestos Management Plan will be covenanted. The ESAP

requires the PIU to ensure an independent life and fire safety audit is conducted prior to operation. Not all STPs have adopted internal Information and Communication Technology (ICT) and cybersecurity rules and procedures based on risk assessment. Additional risk assessment and comprehensive ICT security plan will be developed as part of project implementation and building design finalisation.

The project expansion does not involve any additional or new land acquisition and all development will be carried out within the current footprint of the existing STPs. Therefore, the Project does not trigger any PR5 related issues. The STPs location is not attributed to any sensitive areas in terms of biodiversity or cultural heritage, but site-specific chance finds procedure will be applied during construction involving any ground-breaking activities. Information about the project implementation and design solutions will be publicly disclosed on the MIA's website and continuous stakeholder engagement and grievance mechanism will be implemented based on the Stakeholder Engagement Plan developed for this project during the ESDD. MIA will disclose the SEP and NTS on their website and maintain a community grievance mechanism.

The project is considered Paris aligned for climate mitigation as it features in the joint MDB "aligned list" and meets accompanying conditions. The Project is considered aligned with the adaptation objectives of the Paris Agreement as the climate resilience measures integrated into project design have addressed project vulnerabilities. The PC risk score of the Project is 3. The CART has no activities exposed to potentially material climate risks and can be considered to be moderate risk. No second stage assessment is required. The Project is consistent with the GET approach and each building financed by the transaction will meet energy class B. The GET share is expected to be 100%.

## **6.2 INTEGRITY**

In conjunction with OCCO, integrity due diligence has been undertaken on all related parties to the proposed project. The review has not identified issues of concern [REDACTED]. It has therefore been concluded that this Project does not pose an unacceptable reputational risk to the Bank.

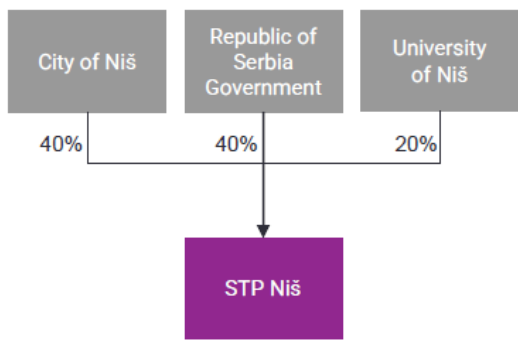
All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

**ANNEXES TO OPERATION REPORT**

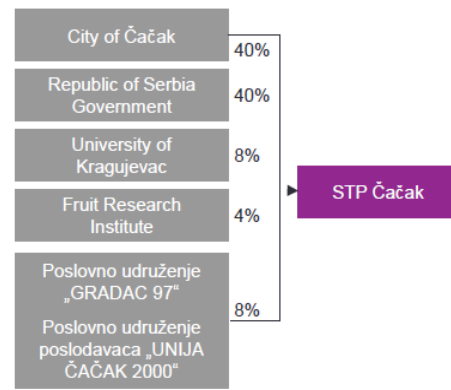
ANNEX 1	Shareholding Structure
ANNEX 2	Green Assessments
ANNEX 3	Project Implementation Annex
ANNEX 4	Transition Impact Scoring Chart
ANNEX 5	STPs and international best practice
ANNEX 7	Current and future usage of space in STPs

## ANNEX 1 – SHAREHOLDING STRUCTURE

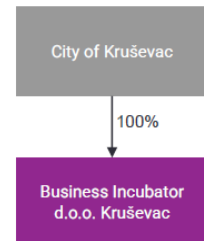
### STP Niš



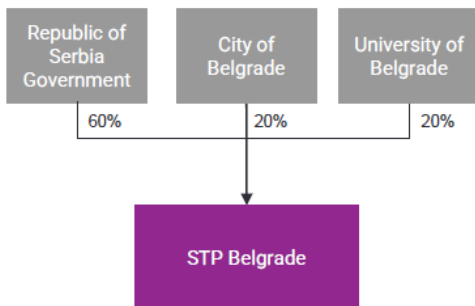
### STP Čačak



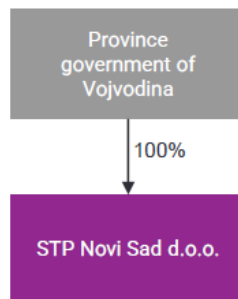
### STP Kruševac



### STP Belgrade



### STP Novi Sad



There is no domiciliation annex, as this is a sovereign transaction.



## ANNEX 2 – GREEN ASSESSMENTS

### Introduction

Green assessment has been based on the commitment of the client to develop the buildings in an environment-friendly way, reducing their carbon footprint and increasing occupants' comfort. New buildings will achieve either an internationally recognised voluntary green building certification or an improved EPC rating. Refurbished buildings will achieve at least 30% reduction in their energy consumption.

As part of the TC support to the client, the project locations and design proposal has been assessed for resilience against the risk of flood and extreme heat events. Climate change adaptation alignment has been based on the outcome of this assessment, as outlined in the relevant sections.

### Paris alignment assessment

#### *Alignment with the mitigation goals of Paris Agreement: general screening*

- The project/economic activity is **included** in the 'aligned list'.
- Regarding project/economic activity(ies), there are **no** activities included in the 'non-aligned list'.
- Applicable additional or specific conditions associated with the 'aligned' project/economic activity **have** been met. Following review of the design of the buildings, the consultants have confirmed that the buildings are targeting EPC B, which is one level above the minimum national requirement.

#### *Alignment with the adaptation goals of Paris Agreement*

- Evaluation of the physical climate risk and vulnerability context: A first screening for physical climate hazards at the project's locations flagged 'Flood' and 'Extreme heat events' as the main risks. A second stage assessment has been commissioned to assess the materiality of these risks to the project. The consultants, after reviewing the most recent flood maps for the areas, have concluded that all three locations are outside high risk areas. Furthermore, the buildings' design has implemented the required flood protection measures, in line with the local regulations. Therefore, flood risk is considered low at the project's locations. In relation to the risk from extreme heat events, after reviewing the building services designs, there is sufficient spare capacity in the comfort cooling system to cope with increased temperatures in a future weather scenario.
- Definition of climate resilience measures: The consultant has proposed a list of climate resilience measures, as part of the emergency response to the event of flooding. These have been shared with the client to be included in the buildings' design.
- Appraisal of broader climate resilience context: N/A. The project is unlikely to have any impact in the broader climate resilience.

### GET attribution

GET attribution has been based on the client's commitment to pursue either an internationally recognised voluntary green building certification for all new buildings, or an EPC rating which will be at least one level above the minimum required, or at

least 30% improvement in energy efficiency in the case of refurbishments, as documented in the EPC. GET share is 100%.  
[REDACTED].

## ANNEX 3 – PROJECT IMPLEMENTATION

### Procurement classification – *Public sovereign*

[REDACTED]

The Executing Agency for the Project will be a dedicated central PIU to be established within The Ministry for Public Investment (“MPI”), which will be responsible for preparation of tenders, contracting, supervision of works and operations on project sites until the final handover of buildings to relevant SPV. The PIU is already established under the name of Public Investment Management Office (PIMO). They have significant experience in implementation of similar projects funded by the EIB and World Bank. [REDACTED]. MPI will engage a qualified independent consultant to support the PIU develop the technical specifications and requirements and assist the PIUs in all procurement matters concerning the implementation of the project. Additionally, the MIP will engage a Supervision Consultant that that will supervise all the works contract to be implemented under the Project.

**Contracts risk assessment:** *Moderate –high* The scope of the contracts to be covered by the Project are not technically challenging as it includes construction and reconstruction of building, procurement of furniture and other equipment for the operation of the Science and Technology Parks. [REDACTED].

The PIU Support Consultant will be tasked to do identify the needs for scientific equipment, draft the requirements, perform market sounding and promote the project both domestically and internationally, and assist the client with procurement processes and contracts administration.

### Procurement arrangements:

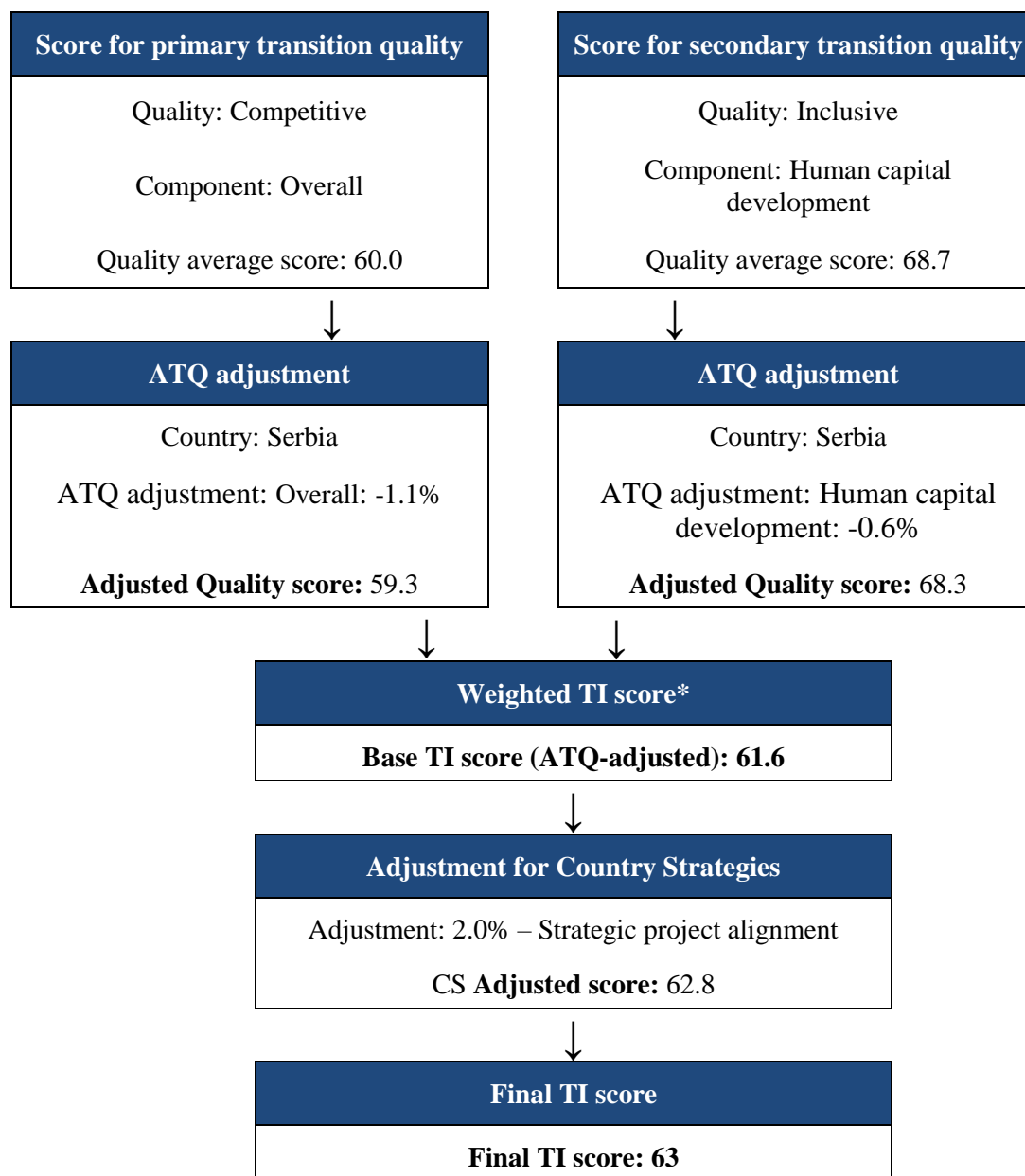
The Project is classified as a public sector operation for procurement purposes.

All contracts for works, goods and consultancy services will be procured in accordance with EBRD PPR Section 3 and relevant EBRD Standard Tender Documents.

The current procurement strategy envisage that, with the exception of Advance Procurement Support Expert, all contracts to be financed under the Project will be procured through ‘Open’ Single Stage tendering procedure and EBRD standard procurement documents. [REDACTED].

All contracts will be subject to Bank’s prior review. [REDACTED].

## ANNEX 4 – TRANSITION IMPACT SCORING CHART



\*The Primary Quality score is weighted 75% for the calculation of the Base TI Score. The Secondary Quality is weighted 25%.

## ANNEX 5 – STPS AND INTERNATIONAL BEST PRACTICE

STPs are a type of “Special Economic Zone”, sometimes also referred to as “science parks”, “innovation centres”, “research parks”, “technology parks”, “technopoles”, “science-based industrial parks” and “university research parks”. They are purpose-built clusters that provide access to space, facilities and value-added services to companies, hosting mainly technology-based companies and start-ups as tenants, with the aim of promoting innovation and acting as catalysts for economic development and growth. A strong partnership between three main stakeholders lies at the heart of STPs: the government, an institutional knowledge base (universities and potentially other research institutions) and the business community. This three-fold base is also referred to as “triple helix”.

STPs are increasingly being deployed by governments in both advanced and developing economies as policy instruments to pursue several objectives; primarily the promotion of innovation, followed by supporting entrepreneurial initiatives and promoting local economic development. According to a study conducted in 2014, ca. 900 STPs exist globally, of which more than one third located in Europe<sup>17</sup>. Data from a survey implemented in 2021 by the International Association of Science Parks and Areas of Innovation (IASP)<sup>18</sup>, based on a sample of 113 STPs and areas of innovation across 47 countries, reveals that STPs are not a new phenomenon, although there has been a rapid increase in the last 20-30 years. Approximately 68% of the respondents are entities launched more than 12 years ago (established in the 2000s or earlier).

STPs tend to display a degree of heterogeneity in terms of their configuration, business models, ownership and governance, partly owing to differences in the local context in which they are located. According to the European Commission, “there are almost as many models of science parks as there are parks”<sup>19</sup>. Public sector ownership appears as a prevailing future, although with some variation by region. The 2021 IASP survey reveals that ca. 50% of the STPs surveyed is owned by the public sector and ca. 27% is characterised by mixed ownership, with a combination of public and private sector. The majority of the STPs also reports to receive financial support from the public sector. Independent of the ownership structure, STPs display a governance structure including in most of the cases a board of directors. In many instances, the board of the STPs comprises members representing not only the shareholders or investors.

With respect to the location, STPs are confirmed as a primarily urban phenomenon, although the great majority is located in medium/small-sized urban areas with less than one million inhabitants. The close proximity to a research institution is also confirmed as a fundamental feature. According to the IASP survey, the great majority of the respondents reports being located either on a university campus or adjacent to a university, while the remaining share of the respondents is located within a maximum 20 kilometres (or 12 miles) radius from the closest university.

Despite this heterogeneity, a recent branch of the academic literature and some public national and international institutions have performed assessments of STPs (mainly on the basis of case studies) that identify some guidelines or criteria for policy-makers on criteria that equate to international “best practice” in setting up, managing and operating STPs. The criteria tend to be described as some of the necessary conditions for enhancing the probability of successful performance of parks vis-à-vis the general objectives they strive to achieve and have been taken into consideration when designing

the technical assistance project that accompany the investment, by addressing some of the main gaps identified. These emerging criteria are summarised in the following table.

### Guidelines for best practice in STP implementation

Category	Criteria	Description
<b>1) Innovation ecosystem and outreach</b>	Proximity to “knowledge base”	At the basis of any STP model, there should be the close proximity to a knowledge base, in particular universities. This can actively encourage knowledge and technology exchange for business development and growth, businesses incubation and opportunities for the commercialisation of new products and processes.
	Synergy with local community and policies	The STPs and their objectives should be endorsed by the local community and, in turn, the STPs’ objectives should align with the local development plans.
	Strong network and linkages with other stakeholders	STPs are not standalone entities but should act as players within a wider innovation eco-system at local, regional, national and possibly even international level.
	Presence of marketing, branding and communication initiatives	Marketing, branding and communication-related initiatives focusing on the STPs, their offering and their performance are deemed important to raise the profile of the parks, increase attractiveness both locally vis-à-vis the tenants and externally to the STP (nationally and internationally).
	Environment ensuring intellectual property protection	STPs should operate in an environment that allows for the protection of new products or processes through intellectual property rights.
<b>2) Physical environment</b>	Smart design	The buildings, facilities and spaces that are part of the STPs should be designed in a way that maximises the chance of collaboration, creativity and innovation among its tenants.
	Access to technology and infrastructure	Access to the necessary technologies is essential for the STPs’ tenants to perform R&D activities. It has also been acknowledged that STPs should benefit from access to good transportation infrastructure in order to both attract tenants and facilitate access to domestic and international markets.
<b>3) Governance, management and operations</b>	Business model based on “triple helix” with private sector involvement	Independent of the ownership of the STP, there is an expectation that the business model of the STP should be underpinned by a solid partnership between the three stakeholders of the triple helix model: the public sector, the business community and research institutions. The three stakeholders should therefore enjoy a degree of representation and/or involvement in the management and day-to-day operations of the STP.
	Continuous support from stable economic and political actors	A stable partnership among the key stakeholders of the triple helix model is desirable. In particular, with respect to the public sector representation, local and/or regional administrations are more strongly conducive to a stable long-term relationship.
	Capacity and diversified skillset of management	STPs’ management should possess strong and diverse skills and expertise (e.g., technical and science-related, business and finance, marketing, negotiation and communication). Some studies also point to the importance of having, among the STP’s management team, a person enjoying a high and visible profile.
	Service offering catering to tenants’ needs and careful selection of tenants	In order to be effective in achieving their goals, STPs should add value to the tenants through their service offering. It is therefore acknowledged to be important to have mechanisms in place to assess the needs of the tenants and tailor the STPs’ support services accordingly, taking also into account the features of the tenants. In addition, the tenants should be carefully selected in order to ensure alignment with the STPs’ “identity” and goals and that there can be synergies between the tenants themselves.
	Striving for financial self-sustainability	STPs should strive for adopting more sustainable business models, whereby their reliance on public funds is gradually reduced over time and they can generate enough income from property management and service delivery to ensure long-term survival and a healthy rate of return on investment.
	Presence of a performance management system	It is acknowledged that STPs should have a performance management system in place that allows for the regular monitoring, reporting and evaluation of the STPs’ performance on the basis of KPIs and agreed evaluation methodologies. The performance management system allows for a formal process to assist the STPs’ management in the decision-making for a continuous improvement of the performance. The presence of a robust performance management system is deemed fundamental especially when an STP strongly relies on public funds.
	Adaptability	STPs should be able to adapt their strategies to deliver benefits even if initial goals are not achieved. For instance, non-central regions may not offer a sufficient research base, culture of entrepreneurship, skills or economic critical mass/diversity. Nevertheless, there is a path for STPs to adapt their strategies by focusing mostly on local firms, supporting the connections of the most dynamic members of the parks and developing training as the most basic form of knowledge transfer.

With regards to the STPs in Serbia, these have emerged as a key policy instrument for the promotion of innovation and digital transformation, the support of entrepreneurial initiative and the promotion of local economic development, as reflected in the country's Law on Innovation Activity and numerous strategies currently under implementation (e.g., Strategy for Scientific and Technological Development 2021-2025, Smart Specialisation Strategy Serbia 2020-2027, Strategy for Development of Start-up Ecosystem 2021-2025). There are four STPs currently operating in Serbia (in Belgrade, Novi Sad, Niš and Čačak), accompanied by some business incubators, including one in Kruševac expected to be expanded and transformed into an STP as part of the Project.

The idea behind the Belgrade STP was formally conceived in 1989. It took approximately 20 years for this idea to give rise to the Business Technology Incubator of Technical Faculties (BTIF), which was the first technology incubator in Serbia founded by the technical and engineering schools of the University of Belgrade, with the aim to promote entrepreneurship among young and educated people specializing in technology. The conversion of this incubator into the fully-fledged STP that it is today occurred in 2015. Since then the network has expanded, with the STPs in Niš and Čačak established in 2020 and the STP in Novi Sad established in 2021. Details about the existing STPs are presented below.

The Project and accompanying technical assistance fit with the strategic vision of the Government of Serbia to strengthen and expand further the STP network in the future. While the financing is intended to support the organic expansion of the STPs, the accompanying technical assistance and policy dialogue that lie at the heart of the transition impact potential of the Project aim to reinforce the alignment of the Serbian STPs with the emerging international best practice, as per the above criteria. [REDACTED].

## **ANNEX 6 – POST-SIGNING TA AND POLICY DIALOGUE**

[REDACTED]

## **ANNEX 7 – CURRENT AND FUTURE USAGE OF SPACE IN STPs (Phase 1)**

[REDACTED]