



REPÚBLICA DE CABO VERDE

## Terms of Reference

### **Consulting service to design, develop and implement an automated integrated management system for Pró-Garante.**

#### **Introduction**

1. The Government of Cabo Verde has received from the International Development Association – IDA / World Bank (hereafter named “World Bank”), an additional credit to fund the Access to Finance for Micro, Small and Medium-Sized Enterprises Project (“the Project”) and intends to apply part of the projects fund for consulting services. The objective of the Project is to increase access to finance to Micro, Small and Medium Enterprises (MSMEs).
2. **The Government of Cabo Verde created a public company, Pró-Garante (PG)**, with the objective of providing credit guarantees (PCGs) to micro, small and medium companies (MSMEs), through Decree-Law No. 32/2018 of June 15. This company replaced the mutual guarantee system that was designed in 2010 to provide guarantees to MSMEs but was ultimately ineffective.
3. **PG a financial institution authorized and regulated by the Central Bank of Cabo Verde**, was formally born in 2019 - the year in which it designed its business model, systems, and processes, as well as began implementing the necessary means to operate - and started its first guarantee operations in 2020. PG's start of operations coincided with the onset of the global economic crisis, resulting from the COVID-19 health crisis, which forced it to redefine its target markets, policies and part of its systems and processes to align with the government's strategies to mitigate the negative effects of the crisis.
4. **In 2020, PG generated 528 guarantees**, for an equal number of companies mobilizing 35 million of USD in loans with an average coverage of 65%. PG's outreach indicators, 1,3% (% of the GDP) and 5% (of the total number of companies of the Cabo Verde), are high, which is quite normal because guarantee systems are also widely used to mitigate economic downturns. Specifically, guarantee systems bear the greatest risk in financial systems during economic downturns.
5. PG's medium and long-term sustainability strategy is based on the achievement of operational balance and on a solvent risk management model. Concretely, this means achieving high operational efficiency - translated into corresponding financial sufficiency - to reserve equity for risk costs, risk costs that must be properly aligned with PG's risk appetite. Thus, the digitalization of all operational management, risk management and financial management processes is one of the challenges of PG's 2021 business plan. In this perspective, the design and implementation of digitized risk models, based on advanced internal rating models, is key for PG, as well as the implementation of risk transfer models.
6. Within the perspective indicated in the previous paragraphs, the consultancy to be hired is framed within the analysis, design, and implementation of an automated integrated management system for PG.

### **Objective(s) of the Assignment:**

7. The purpose of the consulting services (the services) to be rendered by a consulting firm is to analysis, design, and implementation of an automated integrated management system for PG.

### **Scope of Services, Tasks, and Deliverables**

8. The consultant shall perform a comprehensive diagnosis of the PG models, systems and processes and present a design proposal. The diagnostic analysis and design proposal must be adequately documented with a standard methodology. The diagnosis and design document should contain a specific section on risk management.

Specifically, the consultancy should provide an analysis of PG's current business model and operational model. In relation to its operational model, the consultancy shall analyze in detail each of the following processes:

- a) Process for receiving guarantee request and issuing guarantee certificates considering the integration of the financial and operational system.
- b) Process of monitoring of guaranteed credits. Design and implementation of rating models and stop loss process.
- c) Process of receiving requests for payment (and payment) of a guarantee certificate.
- d) Integration of the financial and operational model. Integrations with the stop loss models.
- e) Process of monitoring of the judicial collection of a collected and paid collateral certificate.
- f) For each of the processes identified, an analysis and proposal for the design of the corresponding control systems and computer audits must be included under an integrated risk management approach.

9. The consultant shall submit proposal for the design system, adequately documented with a standard methodology.

10. The consultant shall submit a proposal for the implementation of the approved design. The document with the implementation proposal must contain detailed specifications, for the scheduling activities, of the necessary resources and costs required, for each of the stages or process detailed in the paragraphs a), b), c), d) and e) above

11. The consultant shall submit, periodic reports to verify the progress of each of the stages of implementation defined in the scheduling of activities indicated in the previous paragraph (numeral 8), without prejudice to providing all the necessary facilities to carry out the tests that PG's technical counterpart considers necessary to validate the correct progress of the project, as well as when specific reports are required.

12. Specifically, the consultancy shall provide, at minimum (see deliverables section), reports verifying the execution of the automation of the process of requesting and issuing a guarantee, monitoring guarantee loans, requesting payment and payment of a guarantee certificate, and the process of monitoring the judicial recovery of a paid guarantee certificate. All reports with specific sections on control and audit processes. In the case of the implementation of internal rating models (guarantee risk model), a separated specific report shall be contemplated.

13. The consultant must be performed, together with PG's technical counterpart, stress tests of each deliverable of the system. PG's technical counterpart will validate the deliverable and set the conditions for its authorization.

14. The consultant shall preview a system maintenance and a system scaling, detailed with cost estimates.

15.The consultancy shall provide for the training of the system users and an online support system, detailing the training methodology, online support system, and times considered for these activities.

16.The technical proposal shall clearly state its full understanding of a guarantee scheme and its main operational and risk processes the methodologies and tools to be used for its development.

17.Although the technical proposal should include as a fundamental stage the analysis of the current systems (which will give rise to the final design), the technical proposal should provide the consultant's vision of what it expects to be the best solution, according to its experience. (FORM TECH3)

### **Company Expertise Required**

18. The Consultant must also have a minimum 10 years of experience in development of financial system and risk models for the MSMEs and demonstrated efficiency, organization, and ability to communicate with high-level and relevant stakeholders. The development of a project for a partial guarantee system will be an asset. The Consultant should have experience in working on similar projects.

19.The Consultant shall present a qualified team for the development of the project, which must include at least:

- **Team Leader.** Key expert should have a degree in one of the following: engineering, economics, computer science, mathematics or related fields. Expert with minimum 10 years' experience in the development in similar projects. The team leader must also have a minimum of 10 years of experience in the financial sector, 10 years in data analysis and risk assessment models for MSMEs and at least 5 years in the guarantee sector. Excellent written and spoken in English language is required and proficiency in Portuguese and/or Spanish language is desirable. The expert should have management experience in similar projects.
- **Risk model Expert.** Expert should have a degree in one of the following: engineering, economics, mathematics, statistic or related fields The risk model expert must have minimum of 5 years of experience in the risk model design for the MSMEs. Written and spoken English is required; Proficiency in Portuguese and/or Spanish is desired. The expert should have experience in similar projects.
- **Audit Operational and Financial Expert.** Expert should have a degree in one of the following: engineering, economics, audit or related fields. The expert must also have a minimum of 5 years of experience in the financial and operational control system and audit system of a regulated financial institution. Written and spoken in English is required; Proficiency in Portuguese and/or Spanish is desired. The expert should have experience in similar projects.
- **Two (2) Programmer(s).** Computer or informatics technic. The programmers must also have a minimum of 2 years of experience in system programming. Written and spoken in English is required; Proficiency in Portuguese and/or Spanish is desired.

20.National participation is assessed based on the percentage share of national consultants covering key staff positions in staff-months over the total staff-months of key staff proposed for the assignment.

### **Duration**

21. The maximum timeframe for this service is expected to be 12 months from contract signature.

### **Deliverables**

The minimum deliverables shall be:

- a) **Inception report.** Report with the approach, methodology, detailed activities scheduling, with the corresponding control milestones, on which the follow-up of the project and definition of compliance metrics will be based. One month after contract signature;
- b) **Interim Reports on final diagnostic and design report.** Third month after contract signature;
- c) **Implementation plan report.** Detailed scheduling of activities for each designed functionality. Shall consider clearly each deliverable. Maximum every two month
- d)
- e) **Final report** for each stage of implementation defined in the implementation plan report. Maximum one month to end of the project Training. Specific training reports should be considered as deliverable (training indicated in the implementation plan and programming of activities), with specific reports, for each of them, that should contain at least: trained users, topics or functionalities of the training, number of hours and evaluation of the participants that verifies the scope of the achievements obtained.

22. The delivery of each report will mean that PG's technical counterpart will be able to test the functionalities to verify its operation. The approval of the report will then contain an evaluation of the report and the corresponding functional tests of the automated processes indicated in the report.

At the PG technical counterpart decision others specific reports maybe required.

23. A Lump-Sum form of Contract shall be signed, payments of the Consultant remuneration are linked to approval of deliverables, and the payment of reimbursable expenses are made upon presentation of the receipt of the expenses occurred at the real cost.