



REPUBLICA DE CABO VERDE

MINISTÉRIO DAS FINANÇAS

## Terms of Reference

### RECRUITMENT OF A CONSULTANT TO DEVELOP SYSTEM TO MONITORING STATE-OWNED ENTERPRISES

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#### Background

The Government of Cabo Verde (GovCV), with financial assistance from the World Bank, has approved a project aimed at improving fiscal management through State-owned Enterprise (SOE) reforms. The Project objective is to strengthen SOE related fiscal management.

Boosting the performance of the SOE sector through improved governance arrangements, with clear objectives and KPIs, financial and non-financial, with a modern legal and regulatory framework is seen by the Government of Cabo Verde as the right way to lead to better economic and social outcomes, with a positive impact on the reduction of fiscal and budgetary risk the SOE Sector has been representing for the country over the last 20 years.

SOEs provide citizens with access to vital services such as water, electricity, health, sanitation and transportation. The competitive position of the private sector-led economy, including small and medium-sized enterprises, is heavily dependent on the services and infrastructure provided by these firms. Even the competitive position of Cabo Verde as a foreign investment destination is directly linked to the SOE's services provided, considering their availability, cost and quality. That said is clear that an SOE reform program is crucial to achieving the development goals defined by the Government.

The SOEs sector in Cabo Verde has long been a source of high risk contingent liabilities for the government due to its generally weak commercial and financial performance, and also due to lack of authority played by the Government as their owner. In order to improve the SOE performance was established by the Government, in 2017, *UASE – Unidade de Acompanhamento do Sector Empresarial do Estado* (State Owned Enterprises Oversight Unit), at the Ministry of Finance, a Unit who has the mandate to monitor and oversight the SOE Sector.

However, the Government is aware of the need for a profound reform in the Sector in order to assure better performance, financial and non-financial on these public companies, believing that this will represent a reduction in the fiscal and budgetary risk they represent, creating a new dynamic on the economic environment, creating new business opportunities and more employments. This is one of the priorities of the current Government.

Currently the SOE Sector in Cabo Verde is composed by 35 entities, in different sectors. In 2017 the Government launched a Restructuring and Privatization list including, the most strategic companies of the SOE portfolio. With this decision, the Government selected the companies it wants to be analyzed in order to decide which of them should remain public, however with more efficient modus operandi, and those which no longer needs to be under the state ownership that could be considered for privatization in a way to extract more value for society.

Although, is crucial that all the SOE's, improve their performance and in the other hand that State improves its control mechanisms as a shareholder, as a way to prepare the listed companies with privatization potential for it and to improve the efficiency levels of those companies that will remain public.

Bearing this in mind and in order to achieve this important goal of divesting in some strategic companies and also to improve their levels of governance in regards to all SOE's, the Government seeks to develop a digital platform to monitoring State Owned Enterprises to promote dynamism and transparency and the increasingly essential role of electronic instruments in achieving the objectives of, speed and efficiency of public processes. There is an urgent need to build a platform in its integration, training and deployment components.

## **Objectives**

The objective is to contract a consulting firm to develop a platform to offer a robust, secure and scalable system, which provides electronic instruments and procedures to achieve the objectives of transparency, speed and efficiency in the follow-up of public companies.

The development of the platform will improve the SOE's fiscal management and risk assessment by expanding the functionalities of existing SOE's database to debt held by SOEs with goals to produce timely high quality and more comprehensive operational and financial information including debt and contingent liabilities in the sector to inform decision making.

The system will be structured along the same lines as the development of the existing API (Application Programming Interface) PDEX and IGRP. It should facilitate the exchange of information between systems of the existing state-owned enterprises in Cabo Verde and should also provide mechanisms to feed the Business Intelligence analytical structure of the Ministry of Finance.

The scope of service will also include a review of the current process in order to identify the opportunities to further strengthen monitoring and SOE portfolio management and the, definition and implementation of new procedures and API to

enhance the use of digital resources in the State Owned Enterprises sector in order to ensure the growth of public enterprises not only in terms of finance but especially as regards the quality of services they provide to the country.

Many of SOE, because of their size and importance end up being confused with the sector in which they act. The Government believes that with the identification of strategic partners, with acknowledged know-how and financial capacity, many of these companies can improve their performance, being more efficient, thus contributing to the promotion of their specific field and thus, create new investment opportunities and consequently create new and more jobs. A development of monitoring platform will better organize the SOE portfolio manager and will increase the attractiveness of privatization process, giving SOE related information in timely and secure manner.

It is expected from the consulting firm to work closely with the Government's representatives, to provide advisory support during the entire process, from the analyses of the scenarios, to all this implications proposing mitigation measures, recommendations and the implementation of the approved options. Training programs and seminars are expected to be organized in order to facilitate the implementation and use of the digital platform.

## Tasks

The Consulting firm is expected undertake the following tasks (i) Business Requirement Analysis and Review (ii) Solution Design, Build and test, (iii) User Acceptance Testing, End User Training and Sign off, (iv)Go-Live Activities, and (v) Post Go Live Support and Handover of the project.

The specific scope of work for the consulting firm should include the following specific tasks:

**Task 1** - In regard to the improvement of existing business process of monitoring State Owned Enterprises, the consultant is expected to:

- Develop a Data Warehouse to support a Business Intelligence;
- Analyze and Develop API (Application Programming Interface) via Pdex to receive data and integrate in Data Warehouse;
- Integrate the Platform with State Owned Enterprises system (Primavera) to allow the platform to have SOE financial data;
- Collect SOE's financial, operational information and data based on ERP PRIMAVERA version 9/10 and provide an overview of the main elements of the Financial Statements:
  - Trial Balance Sheet
  - Balance Sheet
    - Assets (Current and Non-Current Assets),

- Liabilities (Current and Non-Current Liabilities)Equity
- Income Statement
  - Gross Profit, Operating Profit (EBIT), Net Profit, Before Tax, Net Profit, Gross Profit, Retained Earnings and EBITDA.
- Cash Flow Statement
- Unidade de Acompanhamento do Setor Empresarial do Estado - UASE will provide the detail for the desegregation and presentation of the elements above mentioned

To collect the SOE financial data, the following software should be configured in the SOE system

- ✓ Scheduled service to collect data and send it to the central services platform
  - ✓ On demand service to send data to the central services platform
- The collected SOE financial data, should be integrated in the central services by calling a RESTfull API
- The SOE should adapt their cash flow plan in order to satisfy the requirements of GovCV analysis,
- **Task 2** .Provides a framework for analyzing fiscal risk stemming from SOE's based on the **Liquidity** (Current Ratio, Quick Ratio, Creditor Turnover Days Solvency, Debtor Turnover Days), **Solvency** (Debt to Equity, Debt to Assets, Debt to EBITDA, Debt Coverage, Cash Interest Coverage, Interest Coverage), **Profitability** (Net Profit Margin, Operating Profit Margin, Return on Working Capital, Return on Assets, Return on Equity, Cost Recovery) and **Government Relationship** (Grants to Revenue, Taxes Payable to Current Liabilities, Government transfers to SOE (grant, capital injection...), SOE transfers to Government (dividend, taxes...), Structure of SOE arrears (commercial bank, State, Social security, Tax administration..)).
  - The parameters for risk assessments will be provides by UASE – Unidade de Acompanhamento do Setor Empresarial do Estado;

### **Task 3. Training, monitoring and tuning of the upgraded digital platform of monitoring State Owned Enterprises:**

- Organize a Hand Session Training on the monitoring and tuning of the upgrade digital Platform of Monitoring State Owned Enterprises for the 8 staff that will be indicated by UASE;

The selected consultant is strongly advised to propose their own methodology, to improve the quality of the work. The methodology of work proposed will be subject of discussion with the client.

## Organization of the assignment

The Consultant shall undertake the assignments in close consultation with the *UASE – Unidade de Acompanhamento do Sector Empresarial do Estado* (State Owned Enterprises Oversight Unit) and work directly with a Task Force established for this process by the Minister of Finance. UASE and Task Force shall follow and support the assignment.

The Consultant will report to *Unidade de Gestão de Projetos Especiais (UGPE)* for the contract management aspects.

The Consultant's proposals are expected to be detailed with the activities, time allocation of each expert, and costs, clearly outlined by stages.

## Time and Deliverables

The assignment is expected to take about 5 months to complete.

The following outputs/deliverables are expected from the various tasks during the engagement:

- a) Deliverable 1 – Inception Report with the screening of the current functionalities regarding integration of the digital platform of monitoring State Owned Enterprises with the SOE's using primavera and integration with BIF (Business Intelligence of Ministry of Finance). (In English and in Portuguese). (15 days after the contract signature.);
- b) Deliverable 2 – Report on Task 1 and 2: All tools and functionalities implemented (2,5 months after the approval of the deliverable 1 by the client within 1 week).
- c) Deliverable 3 – Report on Task 3: Hand session training on digital platform of monitoring State Owned Enterprises organized (1 month after the approval by the client of the deliverable 2 within 1 week);
- d) Deliverable 4 – Final Report (10 days) after the approval of the deliverable 3.

## Qualification of the company the consulting firm or consortium

The assignment will require a consulting firm or consortium with:

at least 15 years of experience with a multi-disciplinary team of experts with experience in developing digital platforms; experience in Primavera will be a plus,

- a) at least 3 successful projects, present in portfolio, that highlight similar works performed;

The team that should be comprised of the following key experts:

1. Team Leader – must have at least 10 years of Digital project management experience and, at a minimum, a Master’s degree in IT Engineer, Computer Science; should have experience in similar projects and reforms of SOEs;
2. Technical Expert (Digital Platforms and State Owned Enterprises) - must have at least 6 years of experience in developing digital platforms and, at a minimum, a bachelor’s degree in IT Engineer, Information Management, with specialization in Knowledge Management and Business Intelligence, applications interface and related fields; should have both a technical and management background with excellent understanding of State Owned Enterprises processes.
3. Financial Expert- must have at least 8 years of experience in finance, economics, business administration, and/or accounting; extensive experience in business and asset valuation, financial modeling, dashboards and accounting and, at a minimum, a bachelor’s degree in finance, economics, business administration, and/or accounting; extensive experience in business and asset valuation, financial modeling, and accounting with respect to public company’s governance in similar countries.
4. IT Expert – With a minimum bachelor’s degree in IT Engineer and with 4 years of experience in IGRP, applications interface and integration in the state network via PDEX;

### **Contract Types**

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.