



**ELECTRICIDADE  
DE MOÇAMBIQUE, E.P.**

**TERMS OF REFERENCE**

**FOR**

**CONTRACTING CONSULTANCY SERVICES**

**FOR**

**ASSISTANCE IN THE REGULARIZATION OF SOCIAL SECURITY OBLIGATIONS  
AND THE ESTABLISHMENT OF A COMPLEMENTARY PENSION FUND**

April of 2020

## **1. OBJECT**

The provision of specialized Consulting services, to support EDM in the process of regularizing the registration of all workers in the National Social Security System (INSS) and in the establishment of the Supplementary Pension Fund.

## **2. ABOUT ELECTRICIDADE DE MOÇAMBIQUE E.P.**

Electricidade de Moçambique (EDM), was established in 1977 as a State Company (E.E.), and then was turned into a Public Company (EP) in 1995, with the mission of producing, transporting, supplying and commercializing electricity, nationally and internationally, on behalf of the government of Mozambique. EDM also has the responsibility to plan, manage and execute the necessary activities and projects that will guarantee energy to Mozambicans on an uninterrupted basis. The Government of Mozambique has declared Energy one of the four main priorities of the country's development strategy. Therefore, EDM has a central and fundamental role in the country's development.

It is underway a profound transformation process within the company, aiming at a total reorganization of the Company, with a focus on values, productivity, efficiency and transparency in processes and business, in an unceasing search for the best practices and management models. This restructuring includes the reform of the Pension system, Retirement and Social Welfare, for a model that not only complies with the current legislation, but also allows transparency and sustainability in the management of the company's Pension Funds, which employees and their family members benefit from.

## **3. CURRENT STATUS**

Electricidade de Moçambique E.P. (EDM) is a registered contributor at the Mandatory Social Security System in Mozambique (INSS) and its social security number is 110006200. Currently EDM has 3.330 active workers, from those more than 1400 were hired as from 2008, and they are registered at INSS and they are paying their contributions monthly. The company hasn't yet registered and paid discounted contributions of employees who were hired after the above mentioned year. Apart from this number, EDM has 1778 retirement pension beneficiaries, and most of them are paid from funds which are managed by the company itself.

EDM is thus in a situation of legal non-compliance with respect to the Social Security Law, as it should have already registered its workers who have been hired since 1990 and paid their retirement discounts to the INSS.

Through this system (INSS), registered workers will be entitled to earn a direct proportion of the service years with a discount for social security, over 35 years, multiplied by the average of the last 5 wages (see the attached Law).

However, the EDM internal procedure of Pension Fund establishes, for example, a retirement pension of 100% of the last earned salary, despite requiring the same 7% discount on annual income. It will be possible to reconcile this difference through the reinforcement of mandatory social security payments, with the establishment of a complementary pension fund, which the Law allows (art. 31 of Law No. 4/2007, of 7 February).

Under the Law, workers who were hired prior to 1990 will not be covered by the INSS system. So, should the company support these dossiers through the Supplementary Pension Fund, to be established, or should it negotiate other ways of covering the social security expenses for these workers and their family members (pensioners)?

It should be noted that EDM hasn't legally established a Pension Fund and at the moment it is paying retirement and social welfare pensions from salary fund which is a risk for the company and for the beneficiaries of the fund. In order to correct this situation, there is a need to legalize the workers' registration and their discounts at the INSS as to obtain approval certificate which is a primary condition for the constitution of Complementary Pension Fund.

#### **4. OBJECTIVE OF THE CONSULTING SERVICE**

- ✓ Advise EDM in negotiations with INSS in order to obtain better terms for regularization of workers' registration and payments of retirement contribution amounts, to be transferred to INSS and discounted by workers hired between 1990 and 2008 (not currently registered in the INSS) ;
- ✓ Advise EDM on the identification and constitution of dossiers for each EDM worker, still active, retired or deceased with pensioners, with regard to their

contributions and social security rights, to be covered by the Supplementary Pension Fund and also by the INSS;

- ✓ Characterize and define the optimal management model for the Supplementary Pension Fund, taking into account the characteristics of all the contributors and the risk profile that characterizes them;
- ✓ Prepare a schedule and an activity plan that will allow the legal constitution of the Supplementary Pension Fund, the transfer of the amounts that will be in EDM's custody, and approve the internal rules and procedures for its operation and management;
- ✓ Advise EDM on the process of regularization of accounts at the INSS in the establishment of the Supplementary Pension Fund of EDM, including the appointment of its management bodies and the implementation of control and regular audit procedures.

## **5. DESCRIPTION OF ACTIVITIES**

- ✓ Technically analyze the current situation of the retirement contributions of workers hired from 1990 to 2008 (not yet registered at the INSS), aiming to present the best negotiation scenarios between EDM and INSS;
- ✓ Prepare and implement the Work Plan for the execution of the object of this consultancy, in coordination with the EDM team working on the subject.
- ✓ Assist in the preparation and hold meetings with representatives of the INSS in order to negotiate better ways to regularize the contributory situation of the EDM employees in that institution;
- ✓ Consolidate the information collected and analysis of reports on this topic and in recommendations for EDM to materialize the regularization of the contributory situation of the workers of this company at the INSS;
- ✓ Establish individual files of workers and their pensioners, with regard to their contributions and their rights of access social security pension and how to support these financial expenses (through the Supplementary Pension Fund or the INSS);
- ✓ Carry out a comparison exercise (benchmarking) with conditions that are in force in other public bodies, private entities and companies, in order to enable better decision making on the establishment and management model of the future EDM Supplementary Pension Fund;

- ✓ Develop and characterize the optimal model for establishing and managing the future EDM Supplementary Pension Fund;
- ✓ Participate in meetings for discussion, negotiation and presentation of preliminary and final results between EDM and INSS;
- ✓ Prepare and submit for comment and validation by EDM, all reports that will serve as a guide for regularization at the INSS and the establishment of the Fund;
- ✓ Assist EDM in the identification and/or establishment of a Management Company of the Supplementary Pension Fund;
- ✓ Assist EDM in the identification and appointment of the management bodies of the Complementary Pension Fund, and in the implementation of control and regular audit procedures;
- ✓ Support EDM in the identification and operationalizing on of training actions for the Company's key personnel, who will be in charge of monitoring and reporting on the quality of the management of the Supplementary Pension Fund.

## 6. COORDINATION OF ACTIVITIES

The selected Consultant will work in coordination with the EDM team dedicated to the subject and under the leadership of the Executive Board Member for People and Corporate Services. The results of the work should be presented for reflection and comment by the Board of Directors, on a bimonthly basis.

## 7. THE BACKGROUND OF THE CONSULTANT

- ✓ All national or foreign companies that prove they are qualified to provide the services required in these Terms of Reference are eligible to compete, providing information demonstrating that they have the qualifications and experience necessary to perform the proposed work;
- ✓ Consulting firms must have the necessary technical capacity to carry out the work described in these ToRs. For this purpose, each proposal must present the "Company's profile", which must include at least:
  - Company organizational structure;
  - Activity reports and accounts for the past three years
  - Experience in financial management modeling
  - Good references from previous clients
- ✓ Consultancy firms may establish joint ventures with other companies in order to complement their ability to respond to the requirements of this bid. In this case, the main consulting firm holds full contractual responsibilities with EDM for the execution and management of the project.

- ✓ For the purpose of assessing the quality of the proposed staff, the consulting firm must meet the following professional requirements:
  - Acknowledged experience in the area of attribution of companies of the same industry or of the size of EDM;
  - Professional experience of the technical team, skills and availability of highly qualified personnel, in particular, to ensure the execution of the project in question, evidenced by the presentation of the curriculum vitae of the main employees, with relevant experience to be able to perform the tasks described in the scope of this ToR ;
  - Ensure EDM that the quality of services to be provided under this ToR is in accordance with internationally accepted quality standards;
  - Acknowledged experience by organizations in Mozambique or similar African countries;
- ✓ World Bank Borrowers (current edition) will select the consultant in accordance with the procedures set out in the World Bank Guidelines: Selection and Contracting of Consultants.

## 8. THE PROJECT TEAM

The project team must at least consist of:

A Project Manager for the assessment exercise must have a minimum of a master's degree in Management, Economics, Commercial Law or similar areas. In any situation, the project manager must have a minimum of 10 years of professional experience in project planning and management

- ✓ A sworn lawyer and familiar with the legislation and the practice of jurisprudence in Mozambique, and capable of developing all the contracts and regulations necessary to achieve the objectives of this consultancy and minimum of 5 years of experience;
- ✓ Financial Officer, with minimum Master's qualifications and with a minimum of 5 years of demonstrated experience in establishing and managing pension funds, in Mozambique or in any other country with compatible legislation in this area.

The Project Manager must have good communication skills in Portuguese and English, both written and spoken, with a high sense of organization and responsibility. The Project Manager will be responsible for the overall coordination of the services of the Consultants team, to ensure full compliance with the requirements of the Terms of Reference and the quality of the deliverables.

The consulting firm must provide evidence that it has successfully managed and coordinated at least 3 (three) projects of a similar nature, size and complexity.

## 9. EXECUTION TIME LIMIT

The consultancy services must be planned as to meet the deadline for the presentation of the different reports related to the present duties, namely:

Action	Deadline
<b>Implementation phase</b>	
Characterization of the current situation and action plan	1 <sup>th</sup> Month
Monthly report of the negotiations, design and implementation	2 <sup>nd</sup> 3 <sup>th</sup> and 4 <sup>th</sup> Month
Establishment of dossiers of each EDM employee, past and Future, regarding their contributions and rights of social security	4 <sup>th</sup> Month
Reports about the conclusion of negotiations and regularization contracts to be signed between EDM and INSS	5 <sup>th</sup> Month
Reimbursement plan by EDM for regularization purpose to INSS	5 <sup>th</sup> Month
Contribution model and management for Pension Complementary Fund	5 <sup>th</sup> Month
Final reports of the implementation plan of the regularization with INSS and establishment of the Complementary Fund	6 <sup>th</sup> Month
<b>Post implementation phase</b>	
Monitoring report on the regularization with INSS and about the quality and success of the Complementary Fund management	13 <sup>th</sup> Month

## 10. PAYMENT SCHEDULES

#	ACTIVITIES	DELIVERABLES	PERCENTAGE OF CONTRACT PRICE
1	First payment (Advance payment)	Upon signing the contract	10%
2	Second Payment	Upon delivery of the Characterization of the current situation and action plan	15%
3	Third Payment	Upon delivering of: - Three Monthly report on the negotiations, design and implementation - Establishment of dossiers of each EDM employee, past and Future, regarding their contributions and rights of social security	35%
4	Fourth Payment	Upon delivering of:	20%

		<ul style="list-style-type: none"> <li>- Reports about the conclusion of negotiations and regularization contracts to be signed between EDM and INSS</li> <li>- Reimbursement plan by EDM for regularization purpose to INSS</li> <li>- Contribution model and management for Pension Complementary Fund</li> </ul>	
5	Fifth Payment	Final reports of the implementation plan of the regularization with INSS and establishment of the Complementary Fund	10%
6	Sixth Payment	Monitoring report on the regularization with INSS and about the quality and success of the Complementary Fund management	10%

The project will be implemented for a maximum period of 6 (six) months until the Delivery of the Final Report, to be approved by EDM. It may be extended only once, through the elaboration of an addendum. However, the consultant is expected to pay an implementation monitoring visit, in the 13th month after the beginning of work, to report on the progress of the implementation.

For the purpose of planning the implementation of the proposed duties, Bidders are informed that EDM and the Government of Mozambique must approve the contract with the consultant, for which a minimum period of two months is considered necessary.

## 11. ATTACHMENTS

1. Decree 51-2017 of 9 October that approves the Mandatory Social Security Regulation.
2. Presentation made to the Board of Directors that obtained the mandate to start negotiations with the INSS