



REPUBLIC OF CAPE VERDE

MINISTRY OF FINANCE AND ENTREPRENEURIAL DEVELOPMENT

TERMS OF REFERENCE (ToR)

Consultancy Services to develop an IT Solution that allows implementation of an Automatic Exchange of Information (AEOI) in tax matters, to support the operationalization of an information exchange office

Framework

The Government of the Republic of Cape Verde has received funding from the International Development Association (IDA)/World Bank (WB) in the amount of twenty million dollars (US\$20,000,000) to fund the implementation of the CABO VERDE DIGITAL PROJECT, which aims to contribute to transforming the country into a regional digital *hub* to accelerate its digital economy through an enhanced digital infrastructure and a strengthened demand for digital services and skills. The project will support the government's strategy to transform the country into a digitally enabled service economy, increasing its competitiveness and attracting more investment. Increasing the supply and demand for broadband connectivity and data storage (digital infrastructure) is critical to support the development of digital Solutions, both public and private, and create new services for individuals, businesses, and governments.

In the Digital Public Services and Markets component 3, the Project will support the Government of Cabo Verde in its recent efforts to support activities to increase its capacity to better deliver digital public services in the domains of: G2G; G2B and G2P, in a context where the digital maturity of the user to access online services continues to pose challenges.

The Government of Cape Verde has, in recent years, in response to the modernization of its economy and global insertion of its companies, implemented a significant set of measures in its tax and financial system.

The Government of Cape Verde intends to transform the National Directorate of State Revenue (NDSR) into a Tax and Customs Authority, to consolidate the unification of the Directorate General of Contributions and Taxes (DGCT) and the



Directorate General of Customs (DGC), aggregating the shared services, in line with international best practices and in order to grant the necessary agility and autonomies for effectiveness in the pursuit of its Mission, Vision and Strategic Objectives.

The international scenario of transparency of information between Tax Administrations has demanded from Cape Verde an effective response to adhere to agreements for exchange of information (EOI - *Exchange of Information*).

In the case of Cape Verde, the competent authority for exchange of tax and financial information is the National Directorate of State Revenue (NDSR).

This scenario stems substantially from the *Foreign Account Tax Compliance Act* (FATCA) and the Convention on Mutual Administrative Assistance in Tax Matters, which defines the criteria for jurisdictions to adopt the exchange of information in the context of the *Common Reporting Standard* (CRS), developed by the OECD together with the G20 countries.

In this context, Cape Verde has recently approved and ratified the agreement on Mutual Administrative Assistance in Tax Matters, while the *Multilateral Competent Authority Agreement* (MCAA) and the *Common Reporting Standard* (CRS) remain to be approved and ratified.

It also signed the *Intergovernmental Agreement* (IGA) with the United States of America to strengthen tax compliance and implement FATCA, which aims to combat tax evasion in relation to income or other gains from investments made outside the United States of America (USA).

Through these instruments, the Republic of Cape Verde, together with other States and jurisdictions, will be able to combat more effectively the international phenomena of tax avoidance, evasion and fraud and, in general, non-compliance with tax obligations by taxpayers.

In addition, the Republic of Cape Verde has already concluded double taxation conventions, which will make it possible to deepen and improve the rules on mutual assistance already established.

Thus, Cape Verde has already concluded the agreement to eliminate double taxation and combat tax evasion with Portugal, Guinea-Bissau, Mauritius, Spain, Senegal, Macau, Equatorial Guinea, Luxembourg and Angola, while negotiations with the Kingdom of Morocco, Singapore and the United Arab Emirates and the multilateral agreement on the elimination of double taxation with ECOWAS member countries have already concluded.

In the context of these international legal instruments, the NDSR is in the process of remodeling a space in order to implement the Information Exchange Unit, so it intends to contract an *outsourcing* IT company to develop a *software* (IT Solution) to ensure the exchange of information derived from obligations assumed by Cape Verde in tax matters.

1. Purpose of the Consultancy

The object of this procedure is the acquisition of consulting services to develop an IT Solution that allows the effective automatic exchange of tax information, whose main objective is to implement the International Standard for *Automatic Exchange of Information* (AEOI) in tax matters that ensures fair and effective taxation in all markets, in which all taxes are collected in the country where they are due.

The Solution to be developed should be able to ensure interoperability with other existing System and tools in the NDSR, as well as those that will integrate the integrated tax system under construction.

1.1. Specific Objectives

- (i) Develop an IT Solution to ensure the sharing of tax, accounting and financial information between tax administrations in order to detect and prevent tax evasion;
- (ii) Ensure that the developed Tax and Customs System supports the effective application of the CRS-AEOI Standard in the international fight against tax evasion through the adoption of the automatic and multilateral model for the exchange of information between countries;
- (iii) Promote compliance with tax and customs obligations derived from international agreement for tax cooperation and international transparency;
- (iv) Train tax technicians to have full control of the use of the Solution autonomously.

2. Product Delivery and Approval Schedule

The project is structured in 5 (five) tasks and, for the realization of this activity, the winning company will be remunerated in accordance with the rules and regulations of the procedure, upon presentation and validation of the final products requested.

The table below shows the project schedule and execution of the work to be developed. If any changes to the schedule are required, they should be agreed and communicated at project meetings and in performance and status reports.

Output Calendar	Support Documents	Date of Disbursements	Payment after customer validation
Result 1	A time-bound work plan identifying the main operations, tools, information and analysis that will be carried out	From contract signature + 2 weeks	15%
Result 2	System architecture - develop an integrated IT Solution that allows for the effective automatic exchange of tax information, both under the US FATCA in accordance with FATCA Model 1, and under the CRS, as well as under the Double Taxation Conventions and the OECD and ECOWAS Multilateral Conventions, and capable of ensuring harmonization and interoperability between the systems in operation in the NDSR, as well as those that will be designed under the integrated tax management system.	From contract signature + 10 weeks	20%
Result 3	Operationalization of the automatic exchange of information between the NDSR and the <i>Internal Revenue Service (IRS - United</i>	From contract signature + 12 weeks	20%



	States Internal Revenue Service) and within the scope of the Global Forum;		
Result 4	<p>Assess whether the legal system is adequate to ensure the implementation of Tasks 1 and 2, and should propose the necessary changes to ensure the effective application of the level of transparency and exchange of information at the request of organizations at the level of the Global Forum, FATCA, CRS and Double Taxation Conventions.</p> <p>Ensure the implementation of the legal framework to guarantee the information available in the <i>International Data Exchange Information</i> (IDES) or the <i>Common Transition System</i> (CTS), encrypted system to operationalize the Common Reporting Standard (CRS), developed to meet the Convention on Mutual Administrative Assistance in Tax Matters;</p>	From contract signature + 16 weeks	20%
Result 5	Ensure the review of the standard of	From contract signature + 20 weeks	25%



	<p>confidentiality and data protection in place in each jurisdiction with particular focus on the policies and system in place;</p> <p>To develop and deliver an appropriate training program for NDSR staff to ensure that the specific objectives are met.</p> <p>The consultant shall provide specialized qualified technical staff to ensure technical support and maintenance services;</p> <p>The consultant shall provide training for the users and EOI Unit managers, including tool user manual.</p> <p>The training may be in person at the headquarters of the National Directorate of Revenue of the State of Cabo Verde</p> <p>The training of EOI Unit managers must be complemented on the job during system deployment.</p> <p>The consultant shall provide the service of technical support and update of versions.</p> <p>Final report</p>		
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3. Consulting Company Profile

- 3.1. Any company, with at least 10 (ten) years of legally proven experience in the field of taxation, focused on the exchange of tax information or performing similar work. Must have experience of developing and implementing at least 3 (three) similar projects. Experience in countries with the same tax matrix in force in Cape Verde that have already implemented the solution, would be a plus. The scope of work requires software design and development, as well as consultancy on the legal framework and on information security management relevant for AEOL.

4. Qualification and professional experience of the Consultant or company

The team should be composed of the following three Key experts.

4.1.1 Team Leader Profile

- a) The principal consultant and team leader must have a higher education with a master's degree (PhD will be a plus) in one of the following areas: law, economics, computer/software engineering, and project management.
- b) Senior Consultant with at least eight years of effective experience in matters directly related to the subject of the call for tenders and which is relevant in the context of the study services to be performed.
- c) Knowledge of international trends on the tax information exchange system;
- d) To have carried out at least 5 (five) consultancy assignments related to the subject of the procedure;
- e) Experience in the field of Tax Administration;
- f) Knowledge of the organization and functioning of the Tax Administration;
- g) Mastering of Cape Verdean tax legislation;
- h) Proficiency in written and spoken Portuguese and English.

4.1.2 Technical Expert

- a) Higher education, minimum degree or equivalent in law, taxation, computer/software engineering, management, economics, tax and fiscal law, and other related areas; a master's or doctoral degree is considered an asset;



- b) Proven experience, of at least 7 (seven) years in consultancy or having carried out identical work, nature in the field of tax competitiveness and related;
- c) Experience in conducting studies and analysis in public policies and governance;
- d) Performance of at least five project related to the subject of the procedure.
- e) Consolidated knowledge of the Cape Verdean legal-tax system;
- f) Experience in statistical and financial data processing;
- g) Proficiency in written and spoken Portuguese and English;
- h) Demonstrated experience in Software tools relevant to the Creation and Implementation of a Tax Information Exchange Unit;
- i) Demonstrated experience in public finance and different tax systems (African, European);
- j) Demonstrated experience in tax management and OECD standards for tax information exchange.

4.1.3 Development Expert

- a) Higher education, minimum degree or equivalent in computer/software engineering, and other related areas; a master's or doctoral degree is considered an asset;
- b) Proven experience, of at least 5 (five) years as developer having carried out identical work, nature in the field of tax competitiveness and related;
- c) Experience with Collection and exchange of information in the Country-by-Country Declaration as described by the OECD BEPS (*Base Erosion and Profit Shifting*) Project foreseen in actions 5 and 13 of the mentioned OECD Inclusive Framework Project).
- d) Ability to provide unit testing and production support as needed and assist Quality Assurance and User Acceptance teams.
- e) Proven experience in software development and systems analysis;
- f) Experience working with International Data Exchange Information Solution or similar;
- g) Understanding Web Security Concepts;
- h) Integration continuous with applications existing in the National Directorate of State Revenue (NDSR).



- i) Model Handbook knowledge on Exchanging Information for Tax Purposes;
- j) Use of the *Tax Policy Assessment framework* (TAPF) in the development process;
- k) Knowledge and language in Database usage (Oracle/SQL);
- l) Knowledge in language *Extensive Markup Language* (XML)
- m) Bilingual (Portuguese/English)

5. Organization of work

The team of consultants shall carry out the tasks in close consultation with the Planning and Cooperation Service (PCS) of NDSR, and throughout the process shall pay attention to the following:

- (i) Consult the texts in force relating to FATCA, CRS, Double Taxation Conventions (DTC) and the OECD and ECOWAS Multilateral Convention;
- (ii) Discuss with the NDSR SPC and the follow-up team the structure of the study and the working methodology;
- (iii) Hold working sessions with the following institutions/entities, namely:
 - ✓ Commercial Banks of Cape Verde;
 - ✓ Bank of Cape Verde
 - ✓ Information Society Operational Nucleus, Business Entities - NOSI, E.P.E.;
 - ✓ Technology, Innovation and Communication Unit of the Ministry of Finance (MF-UTIC);
 - ✓ FIU (Financial Intelligence Unit);
 - ✓ Special Allocation for Large Contributors (REGC);
 - ✓ Penetration testing is required prior to go live of the system, and the contractor have to fix the issues identified during the test penetration.

The language in which the work is conducted and all interactions with the tax technicians, as well as other related entities and institutions, will be in Portuguese.

The Special Projects Management Unit (UGPE) intends that the contract be executed in a framework of trust between the parties, in order to facilitate the provision and use of information necessary for the exclusive purposes for which it was made available.

The reference workplace is the Ministry of Finance and Enterprise Development (MFFE), represented by NDSR, located at Avenida Amílcar Cabral, CP No. 563, City of Praia, Republic of Cape Verde.

The reports should be developed in Portuguese and English, and the outputs should be forwarded to NDSR and UGPE, in digital format and A4 paper.

6. Copyrights

The consultant is obliged to provide all source code related to the Solution developed within this project as well as all documents related to the project.

If licensed tools are used in development, the licenses must be transferred to the Contracting Authority.

The company awarded the contract must also have proven professional skills in creating IT solutions in the context of FATCA, EOI, AEOI, CRS and other tax information exchange instruments derived from international agreements, delivering to the NDSR an IT solution (software) that ensures compliance with the reporting and exchange of tax information with the following essential requirements

- a) Ensure the confidentiality of taxpayer information;
- b) Ensure CRS-AEOI standard and safeguard appropriate use of information, efficient management of internationally recognized standards that derive from international agreements facilitating CRS-AEOI Exchanges;
- c) Ensure that the files with validation scheme in relation to the structure of the information available and ensure an encrypted and secure system to operationalize the procedures of information exchange;
- d) Ensure effective exchange of tax information under the OECD standard electronic standards for administrative cooperation and mutual assistance in the field of taxation;
- e) Ensure that NDSR technicians assigned to the Tax Information Exchange Unit can have permanent technical training for the best use and appropriation of the computer system;
- f) Ensure follow-up for a period of one (1) year after each type of information exchange, and provide technical advice to NDSR on the implementation of the following electronic mechanisms for the effective exchange of tax information;
 - CRS - Common Reporting Standard;
 - FATCA - Foreign Account Tax Compliance Act;
 - AEOI - Automatic Exchange of Information;



- EOIR - Exchange of Information on Request;
- CbC - Country by Country Reporting

7. Technical specification of the system to be created

The IT solution to be created must comply with the following technical parameters:

- Structure of the files in *Extensive Markup Language* (XML) format, with specific standard layout;
- Files with validation scheme in relation to the structure of the information available in the *International Data Exchange Information* (IDES) or the *Common Transition System* (CTS), encrypted system to operationalize the *Common Reporting Standard* (CRS), developed to meet the Convention on Mutual Administrative Assistance in Tax Matters;
- In force in international jurisdictions and partner Tax Authorities under international tax agreements (Double Taxation Convention, Tax Information Exchange Agreements, FATCA, CRS, EOIR, OECD and ECOWAS Convention on Mutual Administrative Assistance in Tax Matters);
- Collection and exchange of information in the Country-by-Country Declaration as described by the OECD BEPS (*Base Erosion and Profit Shifting*) Project foreseen in actions 5 and 13 of the mentioned OECD Inclusive Framework Project).
- Integration with XYZ applications;
- Use of the *Tax Policy Assessment framework* (TAPF) in the development process;
- Database usage (Oracle/SQL)
- Bilingual (Portuguese/English)

8. Design of the AEOI Portal – Main Elements

- Collection of data from financial institutions
- Preparation and sending packages to the CTS
- Dealing with status messages transmitted via the CTS
- Receipt and decryption of packages from the CTS



- Use of the CRS data
- Reporting

9. Main security Protocol must include

- Isolated network
- Strict role based access control
- Encryption
- Logging
- Data integrity
- Backups
- Labeling of data when exporting

10. Duration

The duration for the consultancy is 20 (twenty) weeks from the date of signing the contract.

11. Contract Type

The present procedure is subject to a written contract at a fixed value, payment under the contract will be upon approval and validation of the work performed.

The contract shall take effect on the date of its signature.

12. All documents (texts, manuals, reports, notes) produced within the scope of this consultancy are the property of DNRE.