

TERMS OF REFERENCE

FOR

**FUNCTIONAL REVIEW OF THE PENSION AND DISABILITY INSURANCE FUND
OF NORTH MACEDONIA AND PROPOSAL FOR IT'S MODERNIZATION**

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TERMS OF REFERENCE AND SCOPE OF SERVICES

Functional review of the Pension and Disability Insurance Fund of North Macedonia and proposal for it's modernization

I. Consultancy Services Required

The Government of the Republic of North Macedonia has received a Loan from the International Bank for Reconstruction and Development, for implementing the Macedonia Social Insurance Administration Project (SIAP).

The Ministry of Labor and Social Policy (MLSP) is seeking the services of a Consultancy Company (Consultant) to support implementation of a second subcomponent of the Component 1 of SIAP: Improvement and modernization of business processes in Pension and Disability Insurance Fund of North Macedonia (PDIF).

II. Background

The SIAP project activities will address specific functional and technical areas within the administration of social insurance. The project will support the Government's efforts to continue the process of improving the quality of services delivered by the social insurance administration. The Social Insurance Administration Project will support the Government of North Macedonia (GoNM) to address challenges that affect the functioning of the social insurance system and social protection of persons with disabilities.

The project will support the establishment of the Central Registry of Socially Insured Individuals (SURS) and the modernization of the pension administration; will contribute to the establishment of the Central Disability Certification Coordination Unit (CDCCU).

The overall SIAP project will be organized into two main components, with a third component related to project management.

- Component 1. Improving the quality of the social insurance administration services
- Component 2. Strengthen the regulatory framework for people with disabilities and for hazardous occupations
- Component 3. Project Management

III. Specific Background Information

Improvement and modernization of business processes in PDIF subcomponent will support the strengthening of business processes and the administrative capacity of the PDIF to serve the insured individuals in Pillar 1 more efficiently and effectively. Activities supported by this project will have a direct impact on the PDIF's operations.

Amendments of the Law on Pension and Disability Insurance in the previous period, addressed several aspects of pension system fiscal sustainability and the adequacy of multi pillar pensions. Beside this step of the pension reform the Government announced its engagement with further reforms in the second phase of the pension reform, including strengthening pension system administration, primarily through business processes and capacity modernization of the PDIF. Centralization and consolidations of the registry system and the disability assessment functions will facilitate the social insurance agencies, particularly the PDIF, to concentrate on delivering their core benefits and services.

The PDIF is the agency with the broadest range of benefits, the largest amount of contributions, and the most complex business processes involved in insured persons' database management. The PDIF will be the agency most affected by the new Central Registry of Socially Insured Individuals (SURS). In addition, the PDIF client data are the most comprehensive of all agencies. PDIF has faced a range of challenges in the recent past and needs particular support to optimize its business operations model in the light of SURS implementation.

The functional analysis of the PDIF will identify the PDIF business processes and operational segments targeted to support modernization of administration and service delivery.

The strategic objective of this reform to the social insurance administration system is to provide a more effective and efficient service to all clients of the social insurance system including Pension system.

IV.Objectives of Assignment and Scope of Work

The scope of work of this subcomponent will be streamline to the functional analysis of the PDIF and its processes to detect the areas, paths and dynamics for institutional upgrade. Areas of engagement are expected to include functional review of the current pension administration system, and recommendations for: (a) business process modernization, (b) information and communication technology (ICT) capacity building, (c) human resource strengthening and training. Recommendations should be based on the identify weaknesses from functional review and initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU).

It is estimated that investment in software and capacity building would be needed at least in the first phase of business process modernization. This refers to activities related to improvement and modernization of technical capacity and actuarial capacity. In this context, the need for HR training in order to improve the efficiency and satisfactory of customer service should be emphasized.

The Consultant's main tasks shall include (but not be limited to):

- Review of the current legal responsibilities of the Pension and Disability Insurance Fund of North Macedonia (PDIF)
- Analysis of the existing (AS IS) internal organization and HR capacity, workload and effectiveness of each organizational unit in the PDIF, identifying strengths, gaps and weaknesses in the current functioning

- Review of the current (AS IS) business processes and technical resources capacity of the PDIF, identifying strengths weaknesses and gaps in the current functioning, and their compliance with legal provisions
- Define in detail target (TO BE) organizational structure and job systematization, detail role, responsibilities and functionality of each organizational unit, taking into account initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU). The proposed TO BE structure and the envisaged changes must be in line with the legal framework for preparation of functional analysis in North Macedonia. The Consultant should consider the optimal organizational placement of the halted or missing functional units such as Actuarial Department and Risk Department, and their roles and responsibilities.
- Draft target (To BE) business processes for all needed organizational changes resulting from the functional analysis and identified gaps in current business processes, taking into account initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU), and their compliance with legal provisions
- Propose technical capacity modernization, detail activities and transition plan based on estimated volume and type of needed technical capacity changes to support TO BE business processes and new organizational structure, taking into account initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU)
- Projection of fiscal implications from new organizational structure, new business processes and technical capacity modernization of PDIF
- Proposal of the amendments of the Law on Pension and Disability Insurance according recommendations from new organizational structure, new business processes and technical capacity modernization of PDIF
- Prepare training program (HR training) focus on new business processes
- Prepare technical specification for procurement of hardware and software according new proposals

The Consultant shall work closely with representatives of Pension and Disability Insurance Fund of North Macedonia (PDIF), MLSP, consultants involved in the reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU), and other institutions to ensure their active participation.

V.Deliverables

The Consultant shall submit the following key deliverables. The Consultant may also propose additional deliverables based on the Consultant's proposed approach and methodology.

- 1) **Project Inception Report and Project Plan:** Describes Consultant's approach to project; affirmation of project timeline, activities and outputs; mobilization of Consultant's team; project management; identified risks and mitigation strategies.
- 2) **Summary overview** of the current legal responsibilities of the PDIF, taking into account current operation of the PDIF and business processes based on which PDIF works
- 3) **Report of the existing (AS IS) internal organization and HR capacity, workload and effectiveness of each organizational unit in the PDIF**, identifying strengths, gaps and weaknesses in the current functioning
- 4) **Report of the current (AS IS) business processes and technical capacity of the PDIF**, identifying strengths weaknesses and gaps in the current functioning, and their compliance with legal provisions
- 5) **Functional analysis of the PDIF** - elaborate in detail (TO BE) organizational structure and job systematization, detail role, responsibilities and functionality of each organizational unit, taking into account initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU), including recommendations for improvement of the organizational efficiency of Human Resources. The proposed TO BE structure and the envisaged changes must be in line with the legal framework for preparation of functional analysis in North Macedonia. The Consultant should consider the optimal organizational placement of the halted or missing functional units such as Actuarial Department and Risk Department, and their roles and responsibilities
- 6) **Report - drafting (To BE) business processes** for all needed organizational changes resulting from the functional analysis and identified gaps in current business processes, taking into account initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU)
- 7) **Report for the needed technical capacity modernization**, detail activities and transition plan based on estimated volume and type of needed technical capacity changes to support the new business processes and new organizational structure, taking into account initiated reforms for the establishment of Central Registry of Socially Insured Individuals (SURS) and Central Disability Certification Coordination Unit (CDCCU)
- 8) **Estimate fiscal implications** from new organizational structure, new business processes and technical capacity modernization of PDIF, taking into considerations the deliverables no.5, 6 and 7
- 9) **Amendments of the Law on Pension and Disability Insurance** according recommendations from new organizational structure, new business processes and technical capacity modernization of PDIF
- 10) **Training program prepared**
- 11) **Technical specification** for procurement of hardware and software prepared according new proposals

The above Deliverables should be sufficiently detailed for use by the Client. The Consultant is expected to hold meetings and workshops throughout the project when required and these should be determined within the proposed project work plan. These events should be used to gather and verify

information, discuss existing problems and potential solutions, brief management and key staff in the participating institutions, and reach agreement on future solutions.

VI. Reporting Arrangements

The Consultant will report on a regular basis to MLSP, PMU Team and PDIF to ensure work undertaken is delivered on schedule and with expected quality. All deliverables shall be available in English and Macedonian languages as shall any Consultants' presentations delivered at workshops or at meetings. Materials defined by the Client as needed for subsequent processes should also be available in English and Macedonian languages. All written reports should be discussed in full with the MLSP, PDIF and PMU Team and this should be reflected within the final version of the report being written. The PDIF and MLSP shall give the final approval with regards to document acceptance and any disagreements.

VII. Duration of the assignment

This task is expected to begin in the second quarter of 2022 and duration of assignment is for a minimum of 10 calendar months. The Consultant shall start working after receiving written notification from the Client.

VIII. Qualification requirements for short listing of the consultants

To carry out this assignment, the Client seeks a Company (Consultant) who needs to provide a team of experts with relevant experience and qualifications in their subject area as indicted further below. The Consultant may associate with other Consultant firm (s) in the form of a joint venture to complement their respective areas of expertise, strengthen the technical responsiveness of their proposal, and avail themselves to a broader pool of experts.

The qualification requirements of the Consultant firm are summarized as follows. The Consultant shall be a firm or a group of firms with following qualifications:

- Proven experience and verifiable track-record in providing services in the public sector at national level in the past five years
- Proven expertise in at least two assignments in preparation of functional analysis, in the past five years. Assignment with state institutions with more than 100 employees for preparation of functional analysis will be considered as advantage
- Proven expertise in at least two assignments in design and modernization of business processes in the past five years. Assignment with state institutions with more than 100 employees for design and modernization of business processes will be considered as advantage
- ISO 9001 valid certificate
- Human capacity-at least 10 number of employees on a regular basis

The credibility of mentioned experience and expertise shall be presented in a list of project references with description of services provided (including information on contract value, contracting entity/client, project location/country, duration, percentage carried out by consultant in case of

association of firms or subcontracting and main activities) and accompanied by certificates of orderly fulfillment of the contracts verified by other party from such contracts.

Evaluation criteria	Total points	Max. Points
	100	
Proven experience and verifiable track-record in providing services in the public sector at national level in the past five years	10	3- One realized project in the public sector at national level in the past five years 7- Two realized projects in the public sector at national level in the past five years 10- Three or more realized projects in the public sector at national level in the past five years
Proven expertise in at least two assignments in preparation of functional analysis, in the past five years. Assignment with state institutions with more than 100 employees for preparation of functional analysis will be considered as advantage	40	10- Two realized assignment in preparation of functional analysis, in the past five years 15- Three to four realized assignment in preparation of functional analysis, in the past five years 20- More than four realized assignment in preparation of functional analysis, in the past five years 20- At least one realized assignment for preparation of functional analysis of state institutions with more than 100 employees in the past 5 years (This criteria shall be considered as fulfilled if the consultant has also fulfilled the criteria -at least two realized assignment in preparation of functional analysis, in the past five years)
Proven expertise in at least two assignments in design and modernization of business processes in the past five years. Assignment with state institutions with more than 100 employees for design and modernization of business processes will be considered as advantage	40	10- Two realized assignment for design and modernization of business processes, in the past five years 15- Three to four realized assignment for design and modernization of business processes, in the past five years 20- More than four realized assignment for design and modernization of business processes, in the past five years 20- At least one realized assignment for design and modernization of business processes of state institutions with more than 100 employees in the past 5 years (This criteria shall be considered as fulfilled if the consultant has also fulfilled the criteria -at least two realized assignment for design and modernization of business processes, in the past five years)

ISO 9001 valid certificate	5	0-without valid certificate 5-with valid certificate
At least 10 number of employees on a regular basis	5	0- less than 10 employees on a regular basis 5- 10 or more than 10 employees on a regular basis

Minimum points for short listing of the consultant: 75 points

IX.Key staff requirements

Request for proposal shall be submitted to the short listed consultants. The consultants shall be requested to submit a proposal which among other shall include request for a qualified Consultant's team.

It is expected that the Consultant's team will be comprised of at least:

1. Team Lieder
 - At least university degree in Law, Economy or IT. Advanced degree in the relevant areas is an advantage
 - At least 5 years of Managerial experience on projects conducting functional analysis of public institutions or development of business processes in the last 10 years;
 - Experience on projects dealing with policy issues facing the pension sector in particular in the region;
 - Experience in Central and Eastern European countries on projects conducting functional analysis of public institutions or development of business processes. Experience in N.R. Macedonia will be considered as an advantage;
 - Excellent knowledge of English language

2. Business Analyst
 - B.Sc. degree in IT; Advanced degree in the relevant area is an advantage
 - Minimum 7 years of working experience in the field of Information systems design and development in the last 10 years;
 - At least 5 years experience in defining and documenting User Requirements Definitions for complex software systems in the last 10 years;
 - At least 5 years experience in Business process management
 - Experience in public information systems development, implementation and usage is an advantage;
 - Good understanding of various software architectures and database systems;
 - Good understanding of the architecture of hybrid systems based on web technologies;
 - Excellent knowledge of English language

3. IT expert
 - B.Sc. degree in IT; Advanced degree in the relevant area is an advantage
 - Minimum of 7 years of experience in public information systems development, implementation and usage;

- Minimum of 5 years of experience in development of software by using Oracle products and Oracle database systems;
- Excellent knowledge of English language

4. Legal expert

- Law degree (minimum Bachelors level); Advanced degree in the relevant area is an advantage
- At least 5 years of proven experience in providing legal advice in preparation of primary laws and secondary legal regulations
- Experience in preparation of laws or secondary legislation in the area of social insurance system in the region
- Experience in preparation of laws or secondary legislation in the area of social insurance system in the Republic of North Macedonia shall be considered as advantage
- Knowledge of laws and institutional structure of pension system in the Republic of North Macedonia
- Excellent knowledge of English language

5. Organizational Expert

- At least university degree in economy or law; Advanced degree in the relevant areas is an advantage
- At least 5 years of experience in development of organization solutions that enhance organizational and people capabilities;
- Experience in development of organization solutions, functional analysis in public institutions in Republic of North Macedonia shall be considered as advantage
- Excellent knowledge of English language

6. Economist

- Economy degree (minimum Bachelors level). Advanced degree in the relevant area will be considered as an advantage;
- At least 5 years of experience in analysis and research in the area of public finance;
- Excellent analytical skills;
- Excellent knowledge of English language

At least three of the experts from the consulting team should have knowledge of Macedonian language.

The Team Leader shall coordinate the work of all experts with appropriate qualifications written above and ensure that their schedules are coordinated.

The Team Leader will also ensure the quality of reports, and that the work of Consultant's team is coordinated with each other so that their outputs are consistent and delivered on time.

X.Selection Method and Contract

The selection method is QCBS (Quality-and Cost-Based Selection) and the contract shall be Lump Based according to the World Bank Procurement Regulations for Investment Project Financing (IPF) Borrowers – Procurement in IPF of Goods, Works, Non-Consulting and Consulting Services, (Regulations) issued in July 2016, revised November 2017, and August 2018 www.worldbank.org