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Restructuring of State Companies: Choice of Intellica violates procurement rules

- Companies selected for privatization are not priorities

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Introduction

In March 2021, the Government announced, through the Institute for the Management of State Holdings (IGEPE), that it will restructure four public companies, namely Empresa Moçambicana de Seguros (EMOSE), Correios de Moçambique, Sociedade de Gestão Imobiliária (Domus) and Silos Terminal Graneleiro da Matola (STEMA). With a cost of 32.9 million meticais to be paid by the Government, the studies will be carried out by the company Intellica, SA., which has links with Minister Celso Correia, which was chosen among other renowned competitors such as Ernest & Young, Big Bank in a process that violated public procurement rules.

The restructuring of the companies may consist in the sale of part or all of the State's participation, restructuring of human resources, the financial sector or the operational sector, depending on the result that will be presented by the referred study. According to IGEPE¹, this restructuring is part of a vast reform program for the State's business sector that is intended to be carried out.

CIP recognizes the importance of a deep reform in the state business sector but questions the rationality of the choice of these companies as a priority for restructuring, as well as the choice of the company awarded to conduct the study, Intellica, SA.

Companies Selected for Restructuring are not a Priority

A significant part of the public and state-owned companies are in a weak financial situation. In 2019, about 42% of the public companies had a negative net situation in a range that varies from - 31.4 million meticais to - 14.8 billion meticais referring to the companies Televisão de Moçambique and Electricidade de Moçambique, respectively. (See table below).

¹ Diário Económico (2021) The Government announces the Restructuring of Four State Companies. Find out which ones. Available in: <https://www.diarioeconomico.co.mz/2021/03/16/negocios/governo-vai-restruturar-quatro-empresas-estatais/>. [Acceded on 04 May 2021]

Table 1: Financial Situation of Public Enterprises in 2019 (one thousand Meticaís)

Nr	Companies	Initial Net Situation A	Income B	Costs C	Variation D a)	Final Net Situation D=A+B=C+D
1	Aerportos de Moçambique	283.912,73	4.994.957,28	5.735.516,66	11.556.482,85	11.109.782,19
2	Correios de Moçambique	-13.584,83	309.192,02	333.687,31	-121.406,57	-159.486,68
3	Electricidade de Moçambique	-4.857.640,00	46.623.490,00	53.624.730,00	-2.935.300,00	-14.794.180,00
4	EMODRAGA	1.629.259,25	1.300.252,68	1.410.724,90	-276.940,95	1.241.828,08
5	Empresa Nac. De Hidrocarbonetos	2.354.922,00	11.695.052,00	11.179.158,00	18.071,00	2.888.887,00
6	Hidráulica de Chókwe	- 223.898,00	118.277,00	118.823,00	55.457,00	- 168.987,00
7	Imprensa Nacional de Moçambique	69.482,74	197.691,92	178.688,71	0,00	88.485,96
8	Portos e Caminhos de F. de Moçambique	44.577.790,56	18.904.953,00	15.781.338,00	-1.429.565,56	46.271.840,00
9	Rádio Moçambique	- 2.021.165,35	742.605,87	837.507,20	272.091,22	-1.843.975,47
10	Televisão de Moçambique	-161.882,03	827.045,06	864.652,59	168.119,72	-31.369,84
11	Parque Nac. De Ciência e Tecn. De Maluana	6.061,65	43.810,92	43.913,93	73,91	6.032,56
12	Regadio de Baixo Limpopo	-9.442,59	131.955,14	121.591,90	32.740,79	33.661,44
	Total	41.562.099,13	85.889.282,89	90.230.350,20	7.349.769,43	44.570.801,24

Source: CGE – 2019

Taking into account the cost that reforms entail, the gravity of the net situation of these companies, coupled with the frequency with which they resort to the state coffers to finance their activities, these aspects should dictate the priority in choosing which ones will undergo restructuring or should benefit from intervention.

The General State Account of 2019 (CGE-2019) mentions 12 public companies of which Correios de Moçambique (Mozambique Post Office) is in 4th place in the ranking of companies with a fragile financial situation. In the worst situation are companies such as Electricidade de Moçambique, Rádio Moçambique and Hidráulica de Chókwe, whose net situation is up to 90 times worse than that of Correios de Moçambique.

The remaining 3 companies going to restructuring are Domus, Emose and STEMA, companies in which the State holds 94%, 70% e 100% of the share capital, corresponding to 177.8 thousand meticaís, 61.2 million meticaís and 108.2 million meticaís, respectively.

Data from the CGE-2019 show that although the companies chosen for restructuring are in negative net worth, and with a tendency to deteriorate, they have not often resorted to state subsidies to finance their activities. On the opposite side, there are companies that have benefited from state subsidies totalling 1,991.2 million meticaís in the years 2017 to 2019. Of this amount, 154.4 million meticaís were allocated to Hidráulica de Chókwe, 957.1 million meticaís to Rádio Moçambique, and Televisão de Moçambique received the amount of 879.7 million meticaís. (see table below)

Table 2: Situation of the Mozambique Post Office and other public companies

	Hidráulica de Chókwe			Rádio Moçambique			Televisão de Moçambique			Correios de Moçambique		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Net position (1000 Metical)	-219.556,00	-223.898,00	-168.987,00	-2.021.565,68	-2.021.165,35	-1.843.975,47	-197.293,43	-161.882,03	-31.369,84	46.445,32	-13.584,83	-159.486,68
State Subsidy (1000 Metical)	54.969	44.553	54.969	329.441	298.267	329.441	309.248	261.267	309.248	0	0	0
Percentage of State Participation	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: CGE, 2017 - 2019

Based on the information presented in the CGE-2019, in the group of public companies, the choice of Correios de Moçambique could have been replaced by others in worse conditions and that more often resort to the state coffers to finance their activities, such as Hidráulica de Chókwe, Rádio Moçambique and Electricidade de Moçambique, companies with great relevance in the social component of the country. In relation to the choice of companies in which the state has a shareholding, greater attention could have been paid to companies in which the state has a shareholding of at least 50%.

In 2020, the International Monetary Fund warned of the need to restructure public companies and those with majority state ownership. The IMF mentioned that most of the public companies are in a situation of technical bankruptcy, and in an identical situation are 9 of the 15 companies where the State has a stake equal to or greater than 50 percent, highlighting Transmarítima, Sociedade Notícias, SEMOC, Petromoc, Medimoc, TMcel, LAM, Farmac and EMATUM.

Therefore, the choice of the companies cited for restructuring, whose decision will be based on a study to be conducted by Intellica budgeted at 32.9 million meticais, did not take into account those that represent greater costs to the state today, which puts into question the benefits of this action against the cost.

IGEPE also mentions that the business model and object of the Mozambique Post Office is out of step with reality and therefore the company needs a redefinition of the corporate object and should be transformed into a Public Limited Company (SA). However, the need to hire a company to transform a public company into a SA is questionable, and this exercise involves costs. What would be the role of IGEPE? Is there no internal capacity within IGEPE to transform a public company into an SA?

Fundamentals that Dictate the Choice of Companies

In a letter sent to IGEPE on April 26, CIP sought to know, among several aspects, the technical grounds that justify the choice of the 4 companies targeted for restructuring (See Annex 1). The institution that manages the State's shareholdings answered the question, arguing in general that the companies chosen are neither strategic nor structuring in the terms defined in Law no. 3/20178 of June 19 (See Annex 2).

EMOSE

Regarding EMOSE, in particular, IGEPE states that the insurer is neither strategic nor structural, which means that it does not fit into the country's development plan. However, the argument is not framed, at least at the level of government documents and speeches. The National Development Strategy (ENDE, 2015-2035), the only document that mirrors the country's long-term development plan, mentions, in relation to insurance, that agricultural insurance needs to be introduced to ensure the rapid recovery of the producing sector, post-disaster. This argument makes perfect sense in a context where the country is increasingly beset by natural disasters, such as cyclones IDAI and Kenneth that struck the central zone in 2019 and recently tropical storm Chalane that affected the central and southern parts of the country in 2020.

As the country becomes increasingly prone to natural disasters, which significantly affect the agricultural sector, it is critical that there be a dedicated insurer to provide insurance services to this activity at reasonable prices for farmers. EMOSE is more likely to take on this role as opposed to strictly private sector insurers, who would be forced to take on this role at unsustainable prices for producers.

It is important to mention that in recent times the government's discourse has shown that agriculture is a strategic sector for the country's development, an example of this is the dynamic that has been seen around the Sustenta project. Therefore, the choice of EMOSE as a priority for restructuring with the aim of privatizing this strategic company for the country is not justified.

Another argument of IGEPE to privatize the profitable EMOSE is that the state is, through the Insurance Supervision Institute of Mozambique (ISSM), regulator of the insurance market. "Thus, it is not efficient for the State to simultaneously assume the function of reference shareholder [of EMOSE] because it configures a conflict of interest." In this way he justifies the need to reduce the State's participation in EMOSE.

This argument does not, however, find correspondence in other sectors where the state is both regulator and operator. This is the case of the media sector, where the state regulates the market through the Information Office (GABINFO), which issues licenses and also withdraws them from the media. Meanwhile, the State is the sole shareholder of TVM-EP, Radio Mozambique - EP and majority shareholder of Sociedade do Notícias. A similar situation exists in the telecommunications sector. The state is the regulator of the

market through the National Institute of Communications of Mozambique (INCM) and yet it holds the majority stake in TMCEL, a company that provides mobile telephony services on equal terms with Vodacom and Movitel, and IGEPE is not selling the participation of TMCEL, which in recent years does not give profits, unlike EMOSE. This argument does not, however, find correspondence in other sectors where the state is both regulator and operator. This is the case of the media sector, where the state regulates the market through the Information Office (GABINFO), which issues licenses and also withdraws them from the media. Meanwhile, the State is the sole shareholder of TVM-EP, Radio Mozambique - EP and majority shareholder of Sociedade do Notícias. A similar situation exists in the telecommunications sector. The state is the regulator of the market through the National Institute of Communications of Mozambique (INCM) and yet it holds the majority stake in TMCEL, a company that provides mobile telephony services on equal terms with Vodacom and Movitel, and IGEPE is not selling the participation of TMCEL, which in recent years does not give profits, unlike EMOSE.

Therefore, since the insurance sector is not the only one in which there is a “conflict of interest” of the State, due to the fact that it is both regulator and majority shareholder of operators, it is not understandable why the State should sell its participation in EMOSE and not do the same, for example, with the State’s participation in TVM, Rádio Moçambique, Jornal Notícias, TMCEL.

CORREIOS DE MOÇAMBIQUE

Regarding the Post Office of Mozambique, IGEPE argues that its “object and business model are outdated” because the company was not able to adjust to the environment, and should therefore be “transformed from a public company to a Limited Company and sell part of its assets to the private sector in order to obtain a financial gain for the State. The company is in a difficult financial situation so that it cannot finance the costs of its operation. Intellica, SA’s job as a consultant will be to lead this transformation process.

It is understood the need for the restructuring of the Mozambique Post Office and indeed the need to adjust its business model to make it more modern and a universal mail service, since Mozambique is a member of the Universal Postal Union, a United Nations agency whose objective is to encourage the development of the postal sector in member countries², but, the way it is intended to conduct the restructuring raises several concerns.

IGEPE proposes two forms of financing to get out of the difficult situation in which the company finds itself, as it is unable to finance its financing costs. One is to transform the company into a public limited company, allowing the entry of shareholders, and the other is the sale of assets belonging to Correios de Moçambique. However, some questions arise from the way in which it is intended to restructure this company: IGEPE proposes two forms of financing to get out of the difficult situation in which the company finds itself, as it is unable to finance its financing costs. One is to transform the company into a public limited company, allowing the entry of shareholders, and the other is the sale of assets belonging to Correios de Moçambique. However, some questions arise from the way in which it is intended to restructure this company:

- How much is it intended to raise financially with the sale of part of the assets (170 buildings);
- What is the destination that will be given to the value of the sale of part of the assets;
- If the intention is to transform the Correios de Moçambique into a universal company what is the reason to get rid of the assets;
- The entry of new shareholders, worse via the transformation into a Public Limited Company, does not allow the entry of sufficient financial resources?

Domus, SA

For the case of Domus, IGEPE argues that “it is not efficient for the State to compete, as a reference shareholder, with the private sector in a very dynamic and competitive market, and therefore intends to sell its stake in full”. In this case, the restructuring of Domus is

² **Universal Postal Union** (2018) Publication of member replies to survey on main aspects of universal postal service. Available in [em:https://www.upu.int/UPU/media/upu/files/membersCentre/results Of The Annual Surveys On The System For Monitoring Evaluating Application Of Standards In The Main Areas Of The Ups En.pdf](https://www.upu.int/UPU/media/upu/files/membersCentre/results%20Of%20The%20Annual%20Surveys%20On%20The%20System%20For%20Monitoring%20Evaluating%20Application%20Of%20Standards%20In%20The%20Main%20Areas%20Of%20The%20Ups%20En.pdf). [Accessed May 05, 2021]

understandable because it is not strategic or structuring, as argued by IGEPE. However, we believe that this is not a company whose restructuring is a priority because there are others in a worse situation, as presented above.

STEMA, SA

Regarding STEMA, IGEPE points out that “the company is not strategic or structuring”. The institution claims that STEMA needs to make large modernization investments to restore the operational capacity that is damaged because of a fire a few years ago,” and therefore the state should reduce its participation in the company by selling a part of it to the private sector to obtain dividends. The need to restore the company’s operational capacity is understandable, and that the State is not in a position to bear the costs. However, the argument that it is not strategic or structuring is quite questionable in a context where the increase in agricultural production has been the keynote in the Government’s speeches. With the increase in agricultural production comes an increase in the demand for silos for grain supply³. For years, the Government defended the need for silos to boost agricultural commercialization⁴. Moreover, the recent concession by the Government of some silos in the central and northern region for private management shows that the alienation of the State’s participation in STEMA is not the only option to attract investments in enterprises of this nature⁵.

Risk to Public Finances

Despite the importance of SOEs to the economy, in Mozambique they are a significant source of risk to public finances if their financial performance results in an accumulation of contingent liabilities⁶.

The fiscal risk analysis presented by the Ministry of Economy and Finance (MEF) in 2020 found that 50% of operational public companies rely on state subsidy, having benefited from a total of 1.5 billion meticaís in 2018 and 2019. And, the same companies that benefit from state subsidy have systematically reported negative net results.

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Of the 12 public companies, only Portos e Caminhos de Ferro de Moçambique (CFM), EMODRAGA and Empresa Nacional de Hidrocarbonetos (ENH) consistently report positive net results. However, according to an analysis made by CIP⁷, ENH has a solvency and financial autonomy ratio that is below recommendable. It is worth mentioning that ENH holds stakes in gas projects ranging from 5% to 30%.

In addition to the direct risk these companies pose to public finances, other aspects need to be taken into account when choosing which companies to retire. This is the case with credit risk assessment, for example. ENH and EMODRAGA fall into the group of public companies with higher credit risk, although they have a positive financial situation. (see table below)

³ BUCHEN (2016) Why Are Silos Important To The Farming Industry? Available at: <http://www.silocleaninguk.com/2016/01/27/why-are-silos-important-to-the-farming-industry/>. [Accessed on 05 May 2021]

⁴ Jornal Notícias (2014) Silos: a infra-estrutura que faltava para dinamizar a comercialização. Available at em: <https://www.jornalnoticias.co.mz/index.php/cader-no-de-economia-e-negocios/27880-silos-a-infra-estrutura-que-faltava-para-dinamizar-a-comercializacao>. [Accessed on 05 May 2021]

⁵ Ministério da Indústria e Comércio (2021) Gestão de Complexos de Silos e Armazéns de Cereais e leguminosas. Disponível em: <https://www.mic.gov.mz/por/noticias/Gestao-de-Complexos-de-Silos-e-Armazens-de-Cereais-e-leguminosas>. [Accessed on 05 May 2021].

⁶ These are liabilities not recognized in the financial statements of companies because their existence depends on one or more uncertain future events that are not fully under the company’s control.

⁷ CIP (2019) Empresa Moçambicana de Hidrocarbonetos (ENH) May Be a Burden to The State. Disponível em: <https://www.cipmoz.org/pt/2019/05/26/a-empresa-moc%C3%A7ambicana-de-hidrocarbonetos-enh-podera-constituir-um-onus-para-o-estado/>. [Accessed on 04 May 2021]

Table 3: Distribution of Public Companies by Asset Size and Credit Risk 2019

		Credit Risk Level		
		Low	Moderate	High
Size of Assets	Big	Portos e Caminhos de Ferro de Moçambique		Aeroporto de Moçambique, Electricidade de Moçambique, Empresa Nacional e Hidrocarbonetos
	Medium		EMODRAGA, Empresa Moçambicana de Parques de Ciência e Tecnologia	Televisão de Moçambique, Rádio Moçambique, RBL, ENCM
	Small	Imprensa Nacional de Moçambique		Hidráulica de Chókwé

Source: MEF-DGR⁸

The above finding reinforces the need to take into account specific variables when prioritizing the firms to benefit from reform/restructuring, which may allow the rationalization of public spending, the balance between costs and benefits of reform, and greater efficiency of firms with more potential.

Another million-dollar deal for Intellica, a company that earns an average of 1.6 million per month from State tenders

On 4 March 2020 IGEPE published, through Jornal Notícias, a request for “Expression of Interest” for the hiring of consulting services whose object was “asset and financial evaluation of the State’s financial holdings identified for sale and provision of support in the process of disposal of the respective holding”. Four companies, namely Mundi, Ernest & Young, Banco BIG and First Metical scored lower than Intellica, SA in the technical evaluation of their proposals (See Table). The remaining 5 were excluded during the process. Four, namely Deloitte, Standard Bank, JLO Consultores and Soll Capital for not submitting complete documentation and one - KPMG - for not submitting its technical proposal.

IGEPE violated public procurement rules in the selection of Intellica, SA.

For the selection of the consultant, IGEPE resorted to a modality that is not the rule in contracting consulting services, in this case, the Selection based on the Qualifications of the Consultant. This modality “is applicable for contracting small consulting services, when the preparation and evaluation of competitive bids is not justified,” as established in paragraph 2 of Article 269 of Decree 5/2016 of 8 March that regulates the contracting of Public Works Contracts, Supply of Goods and Provision of Services to the State. However, according to IGEPE in a letter sent to CIP, consultancy “requires work of high technical expertise and detail” and a “detailed due diligence”, which, at the outset, suggests that this is not a small consultancy service.

Furthermore, the contracting method used by IGEPE must only be applied in cases where the “estimated value of the contract” does not exceed “Three million five hundred thousand Meticaís (3,500,000.00 MT)”, under the terms of paragraph 5 of Article 265 of Decree 5/2016 combined with paragraph b) of paragraph 1 of Article 69 of Decree 5/2016. Now, the value of the contract awarded to Intellica, SA is about 33 million meticaís, i.e., about 10 times higher than recommended by Law when using the contracting method used by IGEP - Selection based on the Qualifications of the Consultant. Therefore, the method used by IGEPE is not appropriate for contracting

⁸ Fiscal Risks Report- 2021

the consulting services in question.

The rule modality for contracting consulting services is Selection Based on Quality and Price which, according to article 264(1) of Decree 5/2016 of March 8, evaluates at the same time “the quality of the technical proposal and the price offered for the execution of the services”. However, in the case of the contracting modality used by IGEPE to select Intellica, SA, “the evaluation is based on the comparison of the qualification of at least three consultants “, leaving the price aside.

The evaluation of the consultant’s qualifications alone allowed Intellica, SA to score higher than the other competing companies.

Table 4: Technical proposal ranking

Criteria	Points	Technical Bid					
		Mundi	Intellica	Erneste & Young	KPMG	Banco BIG	First Medical
Level of understanding and comprehension regarding the work to be done	20	19.7	19.7	18.7		17.7	18.7
Experience in terms of business valuation, negotiation or disposal of companies or shareholdings (0-20) points	20	17.3	19.7	20		20	19.7
Coherence, consistency and depth of the work methodology and schedule of activities (0-25 point)	25	21	22.7	21.3		20.3	22.3
Qualification of the technical team (CVs and copies of educational and professional certificates) (0-15 point)	15	13.3	14.3	12		12	12.3
List similar projects carried out in the last 10 years	10	7.7	10	10		9	10
At least 3 payment letters from entities to which you have provided services and / or similar projects	10	10	10	10		10	10
Total	100	89	96.3	92		89	93
Rating		3 position	1 position	4 position		5 position	2 position

Source: IGEPE, 2021

However, as the table shows, the difference between the score of Intellica, SA, the winning company, and that of the other bidders whose bids were evaluated is very small. For example, First Metical, whose bid had the second highest score (93), is 3.3 points behind Intellica, SA with a score of 96.3. This indicates that, most likely, if IGEPE had applied the Rule Contracting modality that evaluates the quality of the technical proposal and the price offered for the execution of the services, Intellica, SA might not have been the company with the highest score, much because of the weight that price would have in the evaluation. When the Rule Contracting modality is applied, the price has a maximum weight “of 30 points (out of 100)” in the evaluation⁹, enough for another competitor to score more points than Intellica, SA.

According to IGEPE, the choice of Intellica, SA was based on the fact that the company has “a better structured, sized and balanced multidisciplinary team, composed of experts in management, property, civil engineering, actuarial and legal experts.

⁹ No. 3 of article 264 of Decree 5/2016 of March 8

The use of the exceptional regime in the hiring of consulting services “is allowed whenever it is convenient to the public interest and the requirements set forth” by Decree 5/2016 of 8 March are present, and due justification is required. The reasons and convenience that led IGEPE to use the selection based on the Consultant’s Qualifications - an exceptional modality - to choose the company that will help the institution in the negotiations for the sale of the State’s shares in 4 companies are unknown. Furthermore, in a letter sent to CIP, IGEPE did not present the reasons that dictated the use of this method.

The value of the contract: how the 32, 9 million meticais was reached

As IGEPE did not use the Rule Contracting modality, which evaluates the quality of the technical proposal of the competing companies and the price offered for the execution of the services, the financial proposal was presented after Intellica, SA was declared the winner, as is the law when the exceptional regime is applied - Selection Based on the Consultant’s Qualifications.

Table 5: Fees to be paid to Intellica, SA for conducting the study

Company	Fees	VAT	Expenses	Total
Emose	9, 414, 351. 51	1, 600, 439.78	787, 100.00	11, 801, 891. 41
Correios	8, 201, 390. 26	1, 394, 236. 34	359, 900. 00	9, 955, 526. 61
Stema	5, 467, 593. 19	929, 490.84		6, 397, 084. 03
Domus	4, 100, 681. 87	697, 115.92		4, 797, 797. 79
Total	27, 184, 016.96	4, 621, 282. 88	1, 147, 000. 00	32, 952, 299. 84

Source: IGEPE, 2021

According to IGEPE, “initially Intellica, SA proposed a fee of 42.1 million MT”, for the consultancy, and that, as a result of negotiations, it was possible to lower the fee to 32.9 million MT. The amount is for fees and expenses for the consultancy to be carried out in the four companies for 1 year (see Table 5). As shown in Table 5, about 35% of the contract value is for consultancy for the restructuring of Emose. The institution claims that the value of the consultancy is less than 1% of the total value of the total assets of the 4 target companies for restructuring.

The contracting modality used by IGEPE for the selection of Intellica, SA shows that the institution was not interested in the costs that the consultancy in question would entail for the state coffers. If the standard way of hiring consultancy services - Selection Based on Quality and Price - had been applied, which simultaneously evaluates the technical proposal and the financial proposal of the companies, the cost of the consultancy would have been relatively lower, since the competing companies would have tried to present very competitive prices in their financial proposal, which did not happen. Thus, Intellica, SA had a free way to invoice with its “whopping” proposal. It is to avoid situations like this that Decree 5/2016 of March 8 limits the contracting modality used by IGEPE to contracting consulting services whose values do not exceed 3, 5 million meticais. But IGEPE preferred to turn a blind eye.

Intellica, SA earns an average of 1, 6 million meticais from state consultancies

Intellica SA is the company that will charge about 33 million meticais to support IGEPE in restructuring the four companies in the state business sector by conducting a study to assess the type of intervention to be made in each of them.

This is just one of several deals the company has done with the state since it was founded by Celso Correia in 2006.

Intellica, SA earns an average of 1.6 million meticais per month in tenders awarded by state institutions, public companies or state-owned enterprises. The Centre for Public Integrity (CIP) had access to some tenders awarded to Intellica, SA between the years 2013 and 2019, and in this period, the company made approximately 132 million meticais with consulting contracts for state institutions.

Intellica’s business with the State came to the public debate when the newspaper Noticias announced in its March 4th edition the award

of tender no. 27^o0001641/SC/001/2020, budgeted at 32.9 million meticaís, to this company, whose objective is to negotiate the sale of shares in 4 companies from the State Business Sector. The announcement of the award of the tender caused astonishment among the public opinion, leading to strong questioning about the integrity of the contract.

The business history of Intellica, SA with the State over these years shows unequivocally that the company is an assiduous supplier of the State. As a matter of fact, the company has already carried out several consultancies to IGEPE, with highlight to the support in the preparation of the Investment Strategy for the State Business Sector¹⁰, evaluation for Disposal of State Owned Companies among others considered as non-strategic¹¹. However, the rationale for IGEPE's recent tender award to Intellica, SA to negotiate the restructuring of the companies is quite questionable, leading one to believe that this may be yet another deal created with the intention of benefiting the company.

As seen above, the companies that are being restructured are not in such a problematic financial situation when compared to other state-owned companies. These are companies that, if they were to benefit from restructuring, would not minimize the cost that the State has been incurring with its public and subsidiary companies. Hence, the race to restructure them at all costs suggests that there are interests other than generating benefits for the state.

Who are the owners of INTELICA, SA?

Intellica, SA was established in 2006 and operates in the areas of auditing services, accounting, tax advice and financial consulting; integrated solutions in information technology; training in the use of information technology; data security services¹², among others.

The company has links to the current Minister of Agriculture and Rural Development, Celso Ismael Correia. When Intellica, SA was established as a company, at the time called Intellica- Serviços de Consultoria, Limitada, its shareholders were GrupoInsitec, S.A.R.L and CC Capital, Limitada, the latter owned by Minister Correia. Therefore CC Capital, SA, a shareholder of Intellica, SA has Celso Correia and Grupo INSITEC, Gestão e Participações, S.A.R.L. The latter was chaired by Celso Correia until his appointment as Minister of Land, Environment and Rural Development in 2015.

After being appointed Minister, Celso Correia claimed that he would leave INSITEC to dedicate himself to the Government. But there was no information that Celso Correia had ceased to be a shareholder in CC Capital, which in turn is a shareholder in Intellica. Legal registration documents of the company, consulted by CIP, show that since the creation of Intellica, SA until now there has been, at least from a formal point of view, no change in its shareholder structure. The only changes that have occurred within the company are its incorporation as a Public Limited Company in 2009¹³, alteration of the capital, headquarters and articles of incorporation in 2016¹⁴ and amendment of the social compact in 2017.

The millionaire business deals of Intellica, SA with the Mozambican State (2013-2019)

Intellica, SA is one of the companies that have billed millions with consulting services to the State. The company has participated, for a decade and a half, in several deals with the State acting in the areas of auditing services, accounting, tax advice, integrated solutions in information technology, training in the use of information technology, data security¹⁵, among others.

In 2013, during the penultimate year of Armando Guebuza's rule, the company won several tenders for the provision of consulting services to the State. CIP had access to at least 10 tenders awarded to Intellica, SA that year, valued at about 25.1 million meticaís.

10 Intellica(2019),Estratégia de investimentos do Sector Empresarial do Estado. Available at: <https://www.intellica.co.mz/blog/estrat%e3%a9gia-de-investimentos-do-sector-empresarial-do-estado>. [Accessed May 03, 2021]

11 Intellica (2017) Assessment for Business Disposal. Available at: <https://www.intellica.co.mz/portfolio/avalia%e3%a7%e3%a3o-pa-ra-aliena%e3%a7%e3%a3o-de-empresas>. [Acceded on 04 May 2021]

12 Government Gazette n° 33, III Series of 16 August 2006 - page 2036

13 Government Gazette n° 7, III Série, 2ndSupl. de 20 February 2009 - page 122-(31)

14 Government Gazette n° 96, III Series of 21 June 2017 - page 3504

15 Government Gazette n° 33, III Series of 16 August 2006

Table4: Tenders awarded to Intellica, SA in 2013.

Date	Contracting Entity	Purpose of the Contract	Contracted Company	Amount (MZN)
05/03/2013	Ministry of Labor	Software installation and development services for the computerization of the foreign labor hiring processes;	Intellica, SA	6.403.250,00
4/01/2013	Administrative Court	Hiring consulting services to coordinate, implement, and improve the work of the human resources department;	Intellica, SA	5.256.576, 00
18/11/2013	Electricidade de Moçambique (EDM)	Contracting services to supply, install, configure and implement an internal audit and risk management software	Intellica, SA	3.890.250,00
29/07/2013	Imprensa Nacional de Moçambique, EP (INM)	Selection of consulting services for the design and installation of an electronic platform for electronic newsletter marketing	Intellica, SA	2.798.241,00
02/05/2013	Ministry of Fisheries	Elaboration of the document of the new Support Program for the Mozambican Fisheries Sector	Intellica, SA	1.500.000,00
15/04/2013	Agência de Desenvolvimento do Vale do Zambeze	Consulting services for carrying out short-term training	Intellica, SA	1.325.307,00
08/07/2013	Ministry of Foreign Affairs and Cooperation (MINEC)	Revision of the regulation of organization and functioning of Mozambique's diplomatic and consular missions	Intellica, SA	1.224.990,00
	Administração Regional de Águas do Sul (ARA-Sul)	Consulting for the elaboration of the personnel and professional career qualification framework	Intellica, SA	1.172.400,00
01/08/2013	Electricidade de Moçambique (EDM)	Lots 1 and 2 - Supply of corporate licenses for technicians and inventory of IT equipment in the Manage Engine IT360 application	Intellica, SA	880.305,00
17/04/2013	National Tourism Institute (INATUR)	Asset and financial evaluation of Motel do Mar, Maputo Province and Pousada da Ilha de Moçambique, Nampula Province	Intellica, SA	696.597,00
Total: 25.147.916, 00				

Source: Authors' compilation

During 2014, Intellica, SA continued to add millions with consulting business for the State. This year the company billed 17.1 million meticais in at least five service contracts to which CIP had access.

Table 5: Tenders awarded to Intellica, SA in 2014.

Date	Contracting entity	Purpose of the contract	Contracted company	Amounts (MZN)
11/03/2014	Ministry of Agriculture (MINAG)	Financial management and planning system	Intellica, SA	8.990.700,00
26/05/2014	Ministry of Science and Technology	Consultancy for the study and elaboration of a strategy for human resources development in Science and Technology	Intellica, SA	3.401.840,00
25/03/2014	National Administration of Conservation Areas (ANAC)	Review and update of the Acs system standard business plan	Intellica, SA	2.504.400,00
19/12/2014	Municipal Council of Inhambane	Acquisition, installation and technical assistance of a financial management system	Intellica, SA	2.242.890,00
02/02/2014	Ministry of Transport and Communications	Hiring consulting services to conduct a survey for Lobby and Advocacy	Intellica, SA	5.570.018
Total: 17.139. 830, 00				

Source: Authors' compilation

In 2015, the first year of Filipe Nyusi's government, Intellica, SA collected at least 12, 8 million meticais in awards from at least 4 tenders analyzed by CIP.

Table 6. Tenders awarded to Intellica, SA in 2015.

Date	Contracting Entity	Purpose of the Contract	Contracted company	Amount (MZN)
15/09/2013	Fundo de Investimento do Património do Abastecimento de Água (FIPAG)	Feasibility study for the enlargement of FIPAG's business base	Intellica, SA	6.757.580,00
30/10/2015	Supreme Court	Lot 1 - Preparing the specifications and designing the terms of reference of the procedural management and document management computer systems	Intellica, S.A.	2.807.816,00
15/12/2015	Parliament's General Secretariat	Evaluation study of the strategic plan (2013-2022) and activities of the Assembly of the Republic	Intellica, SA	1.985.578,92
08/11/2015	Maxixe Municipal Council	Acquisition of 3 computers and 1 revenue and expense control software	Intellica, SA	1.288.850,00
Total				12.839.824, 00

Source: Authors' compilation

In 2016, the company Intellica, SA billed at least 39.3 million meticaais with awards of at least 5 tenders to which CIP had access. This year the highlight goes to the award to Intellica, SA of tender No. OM-156/CMM/DMF/S/15 launched by the Maputo Municipal Council in 2015, for the design and supply of an integrated revenue collection system for the municipality.

The high amounts involved in this contract show that the award, in March this year, of the IGEPE tender valued at 30.9 million meticaais to Intellica, SA is not an isolated case in the company's history of business with the state. Intellica is undoubtedly a major player in the market for state consultancies.

Table 7. Tenders awarded to Intellica, SA 2016.

Date	Contracting Entity	Purpose of the Contract	Contracted company	Amount (MZN)
17/10/2016	Maputo Municipal Council	Design and supply of integrated revenue collection system for the city council (VAT, IPRA, TAE, SISA, market and fair fees)	Intellica, SA	32.168.320,00
23/05/2016	Ministry of Culture and Tourism	Acquisition and assembly of server and software	Intellica, SA	3.467.739,00
25/08/2016	Higher Council of the Judiciary	Consultancy services for the preparation of the proposed organic structure and staffing of the Administrative Judicial Inspection Service	Intellica, SA	1.053.000,00
01/02/2016	National Tourism Institute (INATUR)	Consulting services for the human resources area	Intellica, SA	1.297.530,00
20/01/2016	National Tourism Institute (INATUR)	Asset and financial evaluation of Chuabo Hotel, located in Quelimane city	Intellica, SA	1.366.045,00
Total				39.352.634, 00

Source: Authors' compilation

Between the years 2017 and 2019, Intellica, SA invoiced approximately 37.6million meticaais in awards from 5 tenders analyzed by CIP. One of the deals worth mentioning was the award to Intellica, SA of tender no. OM-04/CMM/DMF/S/18 of the Maputo City Council valued at 15 million meticaais for the operationalization of the municipality's integrated system.

Table 8. Tenders awarded to Intellica, SA in the years 2017, 2018 and 2019.

Date	Contracting Entity	Purpose of the Contract	Contracted company	Amount (MZN)
14/04/2018	Maputo Municipal Council	Operationalization of the CMM integrated system	Intellica, SA	15.185.828,00
02/02/2018	Empresa Nacional de Hidrocarbonetos, EP (ENH)	Lots 1,2 - Supply of materials and equipment, engineering, assembly works, installation and fault repair of distribution networks and residential gas installations in the Airport neighborhood A, including the management system in Maputo City	ConsórcioIntellica, SA/ MAP - Lote 2	13.862.999,00
27/04/2017	FIPAG, Delegação Regional Norte	Assistance in the implementation of the pilot phase for introduction of the prepaid water supply system	Intellica, SA	3.308.976,09
23/05/2017	Ministry of Labor, Employment and Social Security	Corrective and evolutive maintenance of the SIMIGRA system to MITESS	Intellica, SA	2.721.600, 00
02/09/2019	Ministry of Culture and Tourism		Intellica. SA	2.557.346, 23
Total				37. 636, 749, 00

Source: Authors' compilation

Conclusion and Recommendations

The choice of the companies cited for restructuring did not take into consideration those that currently represent the greatest cost to the state, which calls into question the benefits of this action compared to the cost. Therefore, the rationality in prioritizing the companies to benefit from reform is questionable.

In the case of EMOSE, IGEPE argues that the state is in a conflict of interest in being both regulator of the insurance industry through ISSM and insurance operator, through EMOSE, hence the need to divest itself of the shares it holds in this company. However, this is not the only case. The State is also the regulator of other sectors where it holds companies, such as in the media and mobile telephony sectors, and yet it does not divest itself of its holdings in these companies.

Instead of investing resources to restructure the companies that are less costly to the State, the Government should prioritize those with the most critical financial situation that could benefit from these amounts for their revitalization.

On the other hand, the restructuring of these companies, more than generating benefits, is a business opportunity for one of the State's assiduous suppliers, in this case Intellica, SA. The 32.9 million contract that Intellica SA signed with IGEPE, and which stirred public opinion, is just one of the many million-dollar deals that Celso Correia's company has been doing with the state for a decade and a half. Intellica, SA's business history with the state between the years 2013 and 2019 shows that the company is a major player in the state consulting market and has earned, on average, at least 1.6 million meticaís per month from the state in this period.

However, the process of choosing Intellica to conduct the restructuring studies for the four companies violated public procurement rules by choosing Selection based on the Consultant's Qualifications, instead of Selection based on Quality and Price, which is the standard procurement method for consulting services.

The method used by IGEPE is applicable to small consultancy services whose value does not exceed 3.5 million meticaís, in accordance with paragraph 5 of Article 265 of Decree 5/2016 in conjunction with paragraph b) of paragraph 1 of Article 69 of Decree 5/2016. However, the value of the contracting of Intellica, SA is 32, 9 million meticaís, almost 10 times the recommended by Law.

In this context, it is recommended

To the Government:

- Take into account cost and other specific variables in the prioritization of companies to benefit from reform/restructuring, which may allow for the rationalization of public spending, the balance between costs and benefits of reform, and greater efficiency of companies with more potential;
- Ensure more transparency in the selection of target companies for restructuring by disclosing the criteria defined for this purpose;
- Estimate the benefits and/or savings that the State may obtain from the reform of the business sector;
- Have IGEPE's contract with Intellica, SA annulled because it violates public procurement rules;

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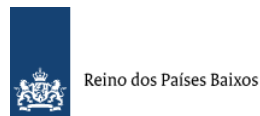
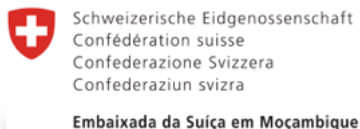
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