



# Foreign, Commonwealth & Development Office



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File Ref: 7982

Date: 2<sup>nd</sup> November 2020

Contract Amendment No: 2

**Framework Agreement with: Oxford Policy Management Ltd**

**Framework Agreement PO: 5929**

**Calldown contract for: Strengthening Revenue Policy and Administration in Somaliland: Phase Two – PO 7982**

With reference to the calldown contract dated 30<sup>th</sup> January 2018 (as most recently amended by the letter dated 2<sup>nd</sup> March 2020) both Parties have in principle agreed to the following variations to the Contract:

## **Section 4 Appendix A: Calldown Contract**

Para 1: Commencement and Duration of the Services

Please delete: "30th November 2020"

Please insert "31<sup>st</sup> March 2022"

Para 3: Financial Limit

Please delete: "£4,893,597"

Please insert: "£6,393,157"

## **Annex A: Terms of Reference**

Please insert: Addendum to the ToR (November 2020) as attached

## **Annex B: Schedule of Prices**

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## **Annex C: Special Conditions**

Please insert: "para. 3: Break Clause

This contract will be subject to break point in March 2021."

2. This amendment relates to the extension of the contract end date to 31<sup>st</sup> March 2022, with a £1,499,560 increase in the financial limit.

3. Please confirm in writing by signing and returning one copy of this letter, within **15 working days** of the date of signature on behalf of FCDO that you accept the variations set out herein.

4. The Contract, including any previous variation, shall remain effective and unaltered except as amended by this letter.

5. Words and expressions in this letter shall have the meanings given to them in the Contract.



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Signed by an authorised signatory for and on behalf  
of the Secretary of State for Foreign, Commonwealth  
and Development Affairs

Name:

Position:

Signature:

Date:

Signed by an authorised signatory for and on behalf of  
Oxford Policy Management Ltd

Name:

Signature:

Date:

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Annex A Terms of Reference: Addendum to the ToR (November 2020)

Annex B Schedule of Prices (revised November 2020) REDACTED



## Addendum to the ToR (November 2020)

### Focus for PROFR costed extension – November 2020 to March 2022

The PROFR programme has accompanied the Ministry of Finance Development in putting in place the foundations for a more effective revenue system, and in delivering impressive increases in revenue collections. Ambitious reform outcomes, such as increasing the share of the tax burden paid by the largest corporate taxpayers, and gradual rebalancing of the government's revenue intake from trade taxes to inland revenues, are just starting to materialise.

The proposed contract amendment is for a cost extension to the programme's implementation phase up to end March 2022. However, FCDO is only able to confirm funding up to March 2021 for this extension; the contract amendment will include a break clause reflecting this. A further extension would enable the programme to consolidate key areas of reform that lay the groundwork for subsequent stages of modernisation of Somaliland's revenue system. In the extension, PROFR will notably focus on:

- **Improving and embedding compliance and enforcement practices:** new revenue administration tools and practices are starting to translate into higher collections and a better overview of the tax base. Compliance by traders and taxpayers is still low, and the Ministry is considering a range of measures to improve voluntary compliance and enforcement. Key deliverables include:
  - Introducing penalties for late filing and payment for large taxpayers, and customs auction procedures for out-of-time goods
  - Improved compliance monitoring and reporting in tax and customs
  - Expanding and improving the quality of the taxpayer registry
  - Targeting tax audit and debt management using risk criteria.
- **Standardising customs procedures across key border posts:** with trade volumes expected to increase as a result of the developing Berbera Corridor, the Ministry will need to complement infrastructure investments and trade facilitation efforts. Further investment is needed to maintain and increase customs efficiency and compliance (especially by large traders), and in aligning with standards in international trade. The programme's interventions will, where relevant, lead and complement those of other programmes working on the Berbera Corridor. Key deliverables include:
  - Rolling out standardised procedures in transit (in addition to imports and exports)
  - Target risk management practices in customs clearance
  - Support the development of customs valuation capabilities and database.
- **More informed decision-making on revenue and expenditure policy:** the Ministry is able to forecast and report on revenue collections, and data is increasingly used to inform policy decisions. As the Ministry starts considering law changes in the public finance area, policy processes need further strengthening, including on how revenue reforms and increases can support development planning and public finance objectives. The latter is becoming more critical in the late stages of delivering against Somaliland's National Development Plan II. Key deliverables include:



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- Improving officials' capabilities to formulate and estimate scenarios to inform forecasting
  - Expanding forecasting practice with new data sources and tools
  - Introducing tools to better monitor priority spending areas in the government budget (e.g. budget analysis tools, programme budgets, budget tagging) in 2021/22.
- **Transferring skills to better target taxpayer communications:** the Ministry's communications capabilities have improved considerably, and the volume and quality of taxpayer- and trader-facing communications has increased. The range of tools and channels available to the Ministry could be utilised more effectively, by drawing on feedback and new evidence from such audiences to better target messages. Key deliverables include:
    - Introducing a taxpayer service portal, to disseminate tailored materials directly to taxpayers and support voluntary compliance
    - Improving the Ministry's capabilities for surveying taxpayers' views, in 2021/22.

These are focus areas of work for the programme, where reform momentum is currently gathering. An extension to PROFR focusses and further builds on these current lines of delivery, enhancing the programme's added value to UK interest and Ministry priorities. Other areas of delivery will be gradually handed over to the Ministry.



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**Annex B Schedule of Prices (revised November 2020)**

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