Terms of Reference: Domestic Revenue Mobilisation, Public Investment Management & Transparency DRUM Management Agent

1. Introduction

1.1 The Department for International Development (DFID) leads the UK's work to end extreme poverty. We are tackling the global challenges of our time including poverty and disease, mass migration, insecurity and conflict. Our work is building a safer, healthier, more prosperous world for people in developing countries and in the UK too.

1.2 DFID Uganda wishes to contract a service provider to implement several components of its Domestic Revenue Mobilisation, Public Investment Management and Transparency programme (DRUM) from 2018 to 2021. This programme aims to improve growth prospects, and increase capacity for spending on the social sectors. The outcomes of the programme are improved returns to investment in public goods, increased domestic revenues and a more transparent and accountable government.

2. Programme Context, Budget and Timeframe

2.1 Uganda aims to achieve middle income status (MIC) by 2020, but population growth is 3.2% and the World Bank estimates that economic growth has declined to an average under 4.5% since 2010, against about 8% in the preceding two decades.1 GDP/capita is at about $700pa while lower MIC status is above $1100pa. Domestic revenue mobilisation is the lowest in East Africa,[2] and domestic financial markets are insufficiently deep to finance a sufficient share of new public investments. The country's tax/GDP ratio has remained between 11-13% for the best part of a decade. Public investments are not productive and investment can produce negative returns. Steps have been made on transparency in public financial management, but more can be done so information is publically accessible and used for oversight.

2.2 This programme will support Uganda's sustainable exit from aid by delivering increased domestic revenues, more effective public investment management (PIM) and more transparent and accountable government. If all targets are achieved over the programme life then GDP growth could rise as a result[3], and revenues then collected by the government each year should rise.[4]

2.3 The service provider is expected to be contracted from 2018 for a 34 month period or co-terminating with the end of the programme, and the maximum budget available is £6.5 million inclusive of all applicable taxes.

[1] Last year growth dropped to around zero in two quarters but trend growth remains about 5% according to the IMF.
[2] According to IMF, 2014 Tax-to-GDP ratios were 17.9% in Kenya; 14.3% in Rwanda and 16.3% in Tanzania.
[3] 1.4% per annum growth recorded last quarter of 2016: Trading Economics, [Redacted]; IMF project that growth could rise by 2% i.e. from c5% to c7%; also highlighted in World Bank Uganda Economic Update 2016
[4] 10.3% tax/GDP ratio as of 2015: World Bank Data

2.4 They will be required to work with the Uganda Revenue Authority, the Ministry of Finance, Planning and Economic Development (MoFPED) , Tax Policy Department (TPD) and other government ministries, departments, agencies where relevant, in order to increase tax compliance and revenue. The service provider may also be required to work on PIM. This work would be agreed with DFID.

3. Impact, Purpose and Outcome

3.1 The overall impact of the DRUM programme will be an improvement in growth prospects to support GoU efforts to increase spending to the social sectors.

3.2 The outcomes of the programme will be improved returns on public investments, improvements in domestic revenue collection and more transparent and accountable state-society relations

3.3 The results listed below are not exhaustive but indicative of the main purpose of this contract:

Domestic Revenue Mobilisation

- Increased tax revenues[5] through the development and implementation of a Medium Term Revenue Strategy bringing together tax policy, administration and legal reforms into a single programme. This publically available strategy will provide a framework for the GoU to plan, coordinate and implement revenue reforms in the medium term (5-10 years) to support growth and poverty reduction.

- Low rates of compliance and high rates of tax avoidance and evasion will be tackled through the strengthening of the tax administration to deliver improved performance in at least two of the Tax Administration Diagnostic Assessment Tool (TADAT) performance outcome areas. This will ensure that tax administration is being strengthened according to international best practice under a framework support by DFID, the IMF and other Development Partners.

- Improve international trade revenues by at least US$7m per annum by supporting improved customs systems. This will in turn address delays and inconvenience for businesses because of unpredictable customs system that lack transparency.

Public Investment Management

- With the MoFPED as the central counterpart and lead agency, establishment and implementation of new, internationally recognised, procedures and guidelines for undertaking due diligence on new project proposals. This will ensure that projects put forward for investment from all parts of GoU have been appraised for their economic viability and alignment with national priorities.

[5] URA target is 0.5% GDP per annum or c$250m

- Preparation and rollout of guidelines and manuals to all Ministries, Departments and Agencies (MDA) that standardise project design, appraisal and selection. This will ensure that projects put forward for investment have been assessed to deliver value for money and tangible economic returns.

- Recognised, international standards applied to all elements of the public investment cycle, namely guidance, appraisal, independent review, selection, implementation, adjustment, operation and evaluation; with transparency within the design process and in the application.

- Institutions able to regularly and transparently prepare quality projects, carry out appraisal, construct the assets efficiently and at minimum cost, and monitor and maintain these assets

4. The Recipient

4.1 The principal recipient of the work will be GoU, notably the Uganda Revenue Authority (URA) and the MoFPED but also other MDAs where necessary. The ultimate beneficiaries of the programme would be the population of Uganda.

5. Scope

5.1 The service provider will be responsible for assisting the URA to implement the Government of Uganda's Medium Term Revenue Strategy (MTRS) that is currently being developed, as well as aspects of the URA Development Strategy, completed in 2016. Both are aimed at making the tax system more effective and raising more domestic revenues. The work of the service provider will be informed by several pieces of diagnostic work on taxation currently underway, the strategic priorities of the URA and the focus areas of other donors. The annex to the terms of reference (ToR) lays out more detail on the MTRS.

5.2 The service provider for DRUM will also work with the partners including the MoFPED to assist in the development of a more effective PIM system. The World Bank and the IMF have produced diagnostics and programme statements on PIM in Uganda in the last two years that lay out detailed focus areas for this thematic area.

5.3 Likely areas of intervention are as follows:

- Support to improve taxpayer compliance in Uganda through taxpayer education, improved audit function of the URA, simplification of taxpayer requirements and improved arrears management.
- Support to URA and TPD at the Ministry of Finance in analysing taxpayer data to inform policy and practices.

- Work with URA and HMRC to implement human resources reforms

- Working with MOFPED teams on improved prioritisation, standards and planning for a better public investments system (scope of this theme for GoU investments across all Ministries, Departments and quasi- governmental bodies)

- Working with the partners (World Bank, IMF, MofPED, EU, USAID and others) to ensure coordinated and structured support on PIM.

5.4 As mentioned, the above are indicative; the overarching objective is for the service provider to flexibly and responsively address the issues identified through diagnostic work and research currently ongoing, and as identified by DFID and GoU. This will particularly focus on tax policy and administration, including on tax transparency, but also issues around PIM.

5.5 There will be a start-up and inception phase of 12 weeks, for which the output will include finalisation of an agreed annual work plan including payment milestones for the implementation phase and a drafted programme logframe. The contract will include a break point at the end of the 12 week inception phase and a break point mid-way through the implementation phase in order to allow for changes in direction or scaling up/down in certain areas based on changing context and the work of others. These will align with the DRUM steering committee cycle to enable decisions on changes to be clearly aligned among stakeholders.

5.6 In addition to the technical work, the service provider will:

i. Provide a secretariat function for the wider DRUM Steering Committee, chaired by DFID, which will meet at least biannually and will be attended by GoU, DFID and implementing partners, including the World Bank, ODI and members of civil society.

ii. Provide a co-ordination function between all four delivery partners for the DRUM programme including a secretariat for quarterly technical committee, ensuring a joined up approach. This will be crucial to work planning between the four delivery partners and effective co-ordinated delivery across linked areas.

iii. Deliver a structured, coordinated monitoring and evaluation (M&E) and lesson learning framework across the whole programme. The programme will be able to flex and adapt based on results coming out of ongoing monitoring and evaluation. This M&E function will require the service provider to work closely with the other delivery partners including the World Bank, a CSO/NGO and the UK Her Majesty’s Revenue and Customs. The service provider will need to gain an understanding of the systems of these partners and how to incorporate these in to a strong M&E framework.

6. Inception and Implementation Requirements

i. The service provider must offer technical expertise in different areas of taxation, and on public investment policy and processes.

ii. The service provider will need to have a team permanently based in Uganda, including the team leader.

iii. Must have expertise in managing, coordinating and delivering high level technical assistance in a coherent way with other partners.

iv. Expertise in of providing quality secretariat assistance on technical assistance programmes (to support the DRUM steering committee).

v. Consultants proposed must have experience in Uganda or in similar technical contexts.

vi. Demonstrate expertise in and access to M&E and learning expertise.

vii. The Service Provider will need to demonstrate an ability to build relationships with different stakeholders and deliver effective long term technical assistance to Governments.

viii. Following the award of the contract the service provider will begin a twelve week inception phase which will include clarity of roles and responsibilities and reporting and work plans.

ix. Demonstrate familiarity and expertise of working on PFM, policy reform and implementation processes; and usage, reform and renewal of ICT based systems within Government.

Inception phase

6.1 During the twelve week inception phase, DFID will work closely with the service provider and other stakeholders to finalise work plans and activities for the areas of intervention, based on diagnostic work that is currently underway.

6.2 The deliverables of the inception phase will be:

- Detailed work plan, finalised output-based payment milestones for the implementation phase and logistical framework.

- Inception report with detailed methodology. A draft of the report should be submitted two weeks prior to the end of the inception phase to be commented on by DFID before finalisation and submission for DFID approval.

- Inception Key Performance Indicators refined and agreed - to be used to measure performance during implementation.
-
- Agreed logistical framework.

- Consultative meetings with DFID, Uganda Revenue Authority and TPD to build relationships and agree on approach

6.3 The service provider must be willing to scale up or scale down aspects of the work depending on changing context and political environment.

7. Performance requirements

7.1 The measure of performance will be linked to increasing taxpayer compliance in Uganda and strengthened systems in place for increased domestic revenue. Some potential performance indicators are as follows:

i) the number of companies audited and filing correctly;
ii) the number and reach of taxpayer education campaigns;
iii) the number of exemptions lifted;
iv) the percentage increase in revenue from excise duties;
v) number of studies completed to establish baselines;
vi) number of engagements with TPD and resulting policy outcomes;
vii) MTRS developed and implemented against agreed milestones
viii) Number of bi-annual steering committee meetings held, minuted and followed up;
ix) Number of quarterly technical committees held, minuted and followed up;
x) Evidence of lesson learning throughout the programme.

7.2 Implementation outputs and associated payment milestones will be finalised and agreed in the inception phase based on the results of the ongoing diagnostics and input from the managing agent. Performance requirements will be based on the delivery of outputs and the implementation of the Medium Term Revenue Strategy. There will also be a qualitative performance indicator reflecting the extent to which the consultants/service provider has built relationships with stakeholders.

8. Reporting requirements

8.1 After the inception report, the service provider will report quarterly to DFID on progress made in relation to agreed outputs. The provider will provide quarterly output based financial reports and narrative summary of workplan deliverables detailing:

- Budget actual spend linked to outputs and 2 monthly forecast
- Risk matrix
- Progress against project work plans and milestones
- Issues for consideration by DFID

8.2 The service provider will be paid in arrears in accordance with milestones agreed and met as communicated in the narrative reports.

8.3 The service provider will meet monthly with DFID to provide an update on progress and to solicit any assistance from DFID needed in order for the project to progress.

8.4 The service provider will provide an annual report following DFID's reporting template, inclusive of requirements above and further detailing progress against logframe outputs and outcomes.

8.5 The service provider will provide annual reports of expenditure and accounts as part of the Annual Review cycle.

9. Timeframe

9.1 The service provider is expected to be contracted from December 2018 for a 34 month period or co-terminating with the end of the programme, and the contract will include the option to extend for up to a maximum of 17 months and maximum value of £3.25 Million, dependent upon the requirement and at DFID's discretion.

There will be break points at the end of the inception phase and at the end of the first year of the implementation phase, in order to allow for re-evaluation of direction and performance.

10. Payment Modality

10.1 DFID encourages payment-by-results approaches with payments linked to both the achievement of outputs and performance against agreed KPI's.

10.2 Expenses shall be paid quarterly and shall be based on actuals.

10.3 Inception fees shall be paid:

- 90%paid quarterly based on achievement of agreed outputs payment milestones. The Supplier should provide an inception phase milestone payment plan that covers the outputs listed below:

    i. Detailed work plan for Year 1, including quarterly outputs linked to payment milestones.

    ii. High level work plan for remaining years, including outputs linked to payment milestones.

    iii. Inception report with detailed methodology. A draft of the report should be submitted two weeks prior to the end of the inception phase to be commented on by DFID before finalisation and submission for DFID approval.

    iv. Consultative meetings with DFID, Uganda Revenue Authority and TPD to build relationships and agree on approach.

- 10% at the end of the inception phase based on jointly assessed (by DFID and the service provider) performance against the KPI's and application of the KPI mechanism detailed in Annex B.

10.4 Implementation fees shall be paid:

- 50% paid quarterly in arrears against inputs i.e. as they are incurred, provided they are in line with the overall budget proposed by the service provider and agreed with DFID.

- 40% paid quarterly based on achievement of agreed output-based payment milestones.

- 10% paid quarterly based on jointly assessed (by DFID and the service provider) performance against the KPI's and application of the KPI mechanism detailed in Annex B, with the date of the post-inception phase assessment to be agreed by the parties.

11. Risk Management

11.1 The service provider as part of their proposal will need to put together a robust assessment of the associated key risks and detail their approach to risk management and how they propose to manage and mitigate risks over the duration of the contract. This will need to be revisited at the end of the inception phase, and reflected on and updated regularly throughout implementation.

12. Contract Structure and Management

12.1 The main point of contact in DFID will be the Head of the Growth and Economic Management and the senior responsible officer for the DRUM programme. The service provider will also be in regular contact with the DRUM programme manager, DFID governance advisers and the senior economist on PIM where necessary.

13. End of Contract Activities

13.1 Three months before the expiry date of the contract the service provider will prepare a draft Exit Plan for DFID's approval which shall include:

i. A disposal plan for all assets procured throughout the lifetime of the programme in accordance with DFID procedures on asset management and disposal;

ii. Addresses any material items that are necessary or desirable for the continued co-operation of the UK Government with partner governments after the contract ends;

iii. The service provider's plans on co-operating to ensure the smooth transfer of responsibilities from the service provider to any persons or organisation taking over such responsibilities after the contract ends;

iv. The service provider's plan to deliver to DFID (if requested or as otherwise directed By DFID) prior to the contract end date (or termination of the contract), any finished work or, unfinished materials or work-in-progress which relate to the contract;

v. The service provider's plans to provide DFID before the contract ends a summary of the status and next steps in relation to any on-going projects or other material and unfinished activities being conducted or monitored by the service provider;

vi. The return by the service provider of all Confidential Information to DFID before the contract end date;

vii. Allows for a period of up to sixty (60) days after the contract end date (or termination date) for the exit process to be properly implemented.

14. Delivery Chain Mapping

14.1 Suppliers will also be able to demonstrate a full and comprehensive approach and methodology for undertaking due diligence and taking on the risk management of all downstream delivery partners. DFID may request specific audits of the project and all project partners to be undertaken.

14.2 In advance of any release of funds, suppliers will be required to produce a delivery chain risk map which should, where possible, identify all partners (funding and non-funding e.g. legal/contributions in kind) involved in the delivery of a programme. Risk maps should be reviewed and updated periodically, in line with agreed programme monitoring processes and procedures. As a minimum, it should include details of:

- The name of all downstream delivery partners and their functions.
- Funding flows (e.g. amount, type) to each delivery partner
- High level risks involved in programme delivery, mitigating measures and associated controls

15. Transparency

15.1 DFID requires Suppliers receiving and managing funds to release data on how this money is spent, in a common, standard, re-usable format and to require this level of information from immediate sub-contractors, sub-agencies and partners.

15.2 It is a contractual requirement for all Suppliers to comply with this approach, and to ensure they have the appropriate tools to enable routine financial reporting, publishing of accurate data and providing evidence of this DFID – further International Aid Transparency Initiative (IATI) information is available from:

[Redacted]

16. UK Aid Branding

16.1 Suppliers that receive funding from DFID must use the UK aid logo on their development and humanitarian programmes to be transparent and acknowledge that they are funded by UK taxpayers. Suppliers should also acknowledge funding from the UK government in broader communications, but no publicity is to be given to this Contract without the prior written consent of DFID. The Supplier must adhere to UK aid branding guidance. For more information see: [Redacted]

17. Digital

17.1 Suppliers that receive funding from DFID must follow UK Government's and DFID's standards for the use of digital in international development programmes. Details are available here: www.gov.uk/government/publications/guidance-on-digital-spend-advice-and-controls-for-dfid-partners-and-suppliers

18. Duty of Care

18.1 The service provider is responsible for the safety and well-being of their personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.

18.2 DFID will share available information with the service provider on security status and developments in-country where appropriate. The Service provider's in-country programme lead will be offered a security briefing by the British High Commission / DFID on arrival. All such personnel must register with their respective Embassies to ensure that they are included in emergency procedures.

18.3 The service provider is responsible for ensuring appropriate safety and security briefings for all of their personnel working under this contract and ensuring that their personnel register and receive briefing as outlined above. Travel advice is also available on the Foreign and Commonwealth Office [Redacted] and the Service provider must ensure they (and their personnel) are up to date with the latest position. The Service provider's decision on travelling and level of security provision for its staff should be informed by the FCO advice.

18.4 The subjective assessment of Duty of Care is included in Annex A of these Terms of Reference. Please note that this risk assessment will be re-examined at the point of transition between inception and implementation. If at any stage there are concerns that the service provider cannot manage Duty of Care then they may be precluded from operating in the region. The ability of the service provider to manage Duty of Care shall remain a pre-condition of the contract.

19. Background

19.1 The DRUM programme was approved by the UK Department for International Development Ministers in September 2017.

19.2 Uganda aims to achieve middle income status (MIC) by 2020, but population growth is 3.2% and the World Bank estimates that economic growth has declined to an average under 4.5% since 2010, against about 8% in the preceding two decades.[6] GDP/capita is at about $700pa while lower MIC status is above $1100pa. Domestic revenue mobilisation is the lowest in East Africa,[7] and domestic financial markets are insufficiently deep to finance a sufficient share of new public investments. The country's tax/GDP ratio has remained between 11-13% for the best part of a decade. Public investments are not productive and investment can produce negative returns. Steps have been made on transparency in public financial management, but more can be done so information is publically accessible and used for oversight.

19.3 This programme (DRUM) will support Uganda's sustainable exit from aid by delivering increased domestic revenues, more effective PIM and more transparent and accountable government. If all targets are achieved over the programme life then GDP growth could rise as a result[8], and revenues then collected by the government each year should rise.[9]
16.4 The programme will be delivered through a combination of partnerships with the World Bank, a DFID-contracted managing agent; a civil society organisation and HMRC[10]. Some of the proposed deliverables and results through supporting the government are as follows:

i. development of a Medium Term Revenue Strategy to increase tax revenues[11];

ii. administrative tax reforms to tackle low compliance and high tax avoidance and evasion;

iii. collection of US$10m in revenues per annum through a 100% increase in the number of 'Exchange of Information' requests issued by the GoU to other jurisdictions;

iv. strengthened customs systems to improve trade revenues by US$7m per annum;

v. effective PIM processes to prioritise and deliver Public Investments;

[6] Last year growth dropped to around zero in two quarters but trend growth remains about 5% according to the IMF.
[7] According to IMF, 2014 Tax-to-GDP ratios were 17.9% in Kenya; 14.3% in Rwanda and 16.3% in Tanzania.
[8] 1.4% per annum growth recorded last quarter of 2016: Trading Economics, [Redacted]; IMF project that growth could rise by 2% i.e. from c5% to c7%; also highlighted in World Bank Uganda Economic Update 2016
[9] 10.3% tax/GDP ratio as of 2015: World Bank Data
[10] Her Majesty's Customs and Revenue
[11] Based on evidence from Burundi and Kenya this could see revenue grow by 0.5% pa or c$250m if successful

vi. improved regulatory systems and oversight for inclusive consultation on PIM, domestic revenue management (DRM), and public-private partnerships (PPPs), transparently communicating reforms and using data to hold government to account;

vii. a higher percentage of government contracts, including PPPs, subject to transparency;

viii. closer PIM and tax linkages with the structural indicators under the IMF programme.

Annex A - Duty of Care Matrix
June 2018

Read in conjunction with the Travel Advisory on Uganda

Theme	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score	DFID Risk Score
	Kampala	North-east Uganda Karamoja Region	Northern Uganda	South West Uganda	Western Uganda	Eastern Uganda
Overall Rating	3	3	3	3	3	3
FCO Travel Advice	2	4	2	2	2	2
Host Nation Travel Advice	Not available	Not available	Not available	Not available	Not available	Not available
Transportation	5	5	5	5	5	5
Security[*]	3	3	3	3	3	3
Civil Unrest	3	2	2	2	2	2
Violence/crime	3	4	3	3	3	3
Terrorism*	3	3	3	3	3	3
War	1	2	1	1	1	1
Hurricane	1	1	1	1	1	1
Earthquake	1	1	1	2	2	1
Flood	2	1	2	2	1	3
Medical Services**	4	4	4	3	3	3
Nature of Project Intervention						

1 Very Low Risk	2 Low Risk	3 Medium Risk	4 High Risk	5 Very High Risk
Low		Medium	High Risk	

***The FCO travel advice for Uganda advises that there is a general threat from terrorism**

**Medical facilities outside of Kampala and particularly away from cities are limited

Annex B – Key Performance Indicators and Mechanism

Following inception, these KPI's shall be refined and agreed and used to measure performance during implementation.

Key Performance Indicators	KPI Description	KPI % Weighting	Score (1 to 6)	Max. Possible Total Score
1. Quality and delivery	1a) Quality of deliverables and alignment of project outputs to project need 1b) Timeliness of milestone delivery 1c) Quality and timeliness of reporting (including financial reporting) 1d) Appropriate and effective identification and management of risks	20		120
2. Financial management & forecasting	2a) Robust cost control in line with Contract 2b) Accurate and timely submission of forecasting and invoices	20		120
3. Personnel	3a) Performance of team leader (including managing staffing levels, staff performance and sub-contractors) 3b) Performance of team and appropriate level of expertise / skill level of personnel allocated to project 3c) Key resources proposed at Contract award still appropriately allocated to project or have been replaced by an acceptable equivalent 3d) Ability to problem solve and address issues with appropriate escalation channels	20		120
4. Client Relationship Management	4a) Extent to which supplier is responsive and flexible to DFID and stakeholder needs 4b) Regularity of communication with DFID and delivery of agreed action points 4c) To what extent does supplier ensure that they are aligned to current DFID priorities 4d) Project Team provide a professional service and demonstrates willingness to improve partnership with DFID and project stakeholders	20		120
5. Continuous Improvement & Innovation	5a) Provider has sought to improve on the last reporting period's performance 5b) Supplier proactively promotes innovation in programme 5c) Ability to maximise value for money for DFID including flexibility to scale up or down quickly as appropriate 5d) Actively capturing and sharing lessons learnt	20		120
	TOTAL	100		600

Payment Modality

DFID encourages payment-by-results approaches with payments linked to both the achievement of outputs and performance against agreed KPI's. As outlined in Section 10 (above) 10% of the total payment will be based on jointly assessed (by DFID and the service provider) performance against the KPI's.

KPI Mechanism

In line with the maximum total score of 600, the proposed payment % structure shall be as follows:

Total Score	Payment
400 and above	100%
200-399	80%
100-199	40%
99 and below	10%