Department for International Development

UKaid from the British people

Section 4 Appendix A

CALLDOWN CONTRACT

Framework Agreement with: CowaterSogema International Inc

Framework Agreement for: DFID International Multi-Disciplinary Programme (IMDP)

Framework Agreement Purchase Order Number: 8373

Call-down Contract For: Support to tax reform in Mozambique under the tax and economic governance programme (TEG)

Contract Purchase Order Number: 8606

I refer to the following:

1. The above mentioned Framework Agreement dated 1st May 2019
2. Your proposal of 14th August 2019

and I confirm that DFID requires you to provide the Services (Annex A), under the Terms and Conditions of the Framework Agreement which shall apply to this Call-down Contract as if expressly incorporated herein.

1. Commencement and Duration of the Services

1.1 The Supplier shall start the Services no later than 13th January 2020 ("the Start Date") and the Services shall be completed by 31st March 2024 ("the End Date") unless the Call-down Contract is terminated earlier in accordance with the Terms and Conditions of the Framework Agreement.

2. Recipient

2.1 DFID requires the Supplier to provide the Services to the Department for International Development ("the Recipient").

3. Financial Limit

3.1 Payments under this Call-down Contract shall not, exceed £8,000,000.00 ("the Financial Limit") and is exclusive of any government tax, if applicable as detailed in Annex B**.**

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4. Officials

DFID

4.1 The Contract Officer is:

REDACTED

4.2 The Project Officer is:

REDACTED

Supplier

4.3 The Contract Officer is:

REDACTED

4.4 The Project Officer is:

REDACTED

5. Key Personnel

5.1 The following of the Supplier's Personnel cannot be substituted by the Supplier without DFID's prior written consent:

Inception	
Name	**Position**
REDACTED	Senior Programme Manager
REDACTED	Finance and Procurement Manager
REDACTED	Office Manager/Finance Officer
REDACTED	Senior Finance, Risk and Assurance Manager
REDACTED	Team Lead and Output 1 Lead
REDACTED	Output 2 (Extractives Tax) Lead
REDACTED	Deputy Team Leader and Output 3 (Tax Policy) Lead
REDACTED	National Advisor
REDACTED	Programme Design Lead
REDACTED	Senior MEL and Tax Policy Advisor
REDACTED	Org. Health & Change Management Advisor
REDACTED	GESI and Anti-Corruption Advisor
REDACTED	Strategic Comms Advisor
REDACTED	Strategic PFM advisor
REDACTED	PEA advisor

Implementation	
Name	**Position**
REDACTED	Team Leader and Output 1 (Tax Admin and Automation) Lead
REDACTED	Output 2 (Extractives Tax) Lead
REDACTED	Strategic PFM Advisor
REDACTED	Programme Design Lead
REDACTED	Senior Programme Manager
REDACTED	Finance and Procurement Manager
REDACTED	Security Manager
REDACTED	Programme Director
REDACTED	Senior Finance, Risk and Assurance Manager
REDACTED	Business Intelligence Advisor
REDACTED	Communications Advisor and Graphic Design
REDACTED	Deputy Team Leader and Output 3 (Tax Policy) Lead
REDACTED	National Advisor 1
REDACTED	Office Manager/Finance Officer
REDACTED	PEA advisor
REDACTED	Senior MEL and Tax Policy Advisor
REDACTED	Org. Health & Change Management Advisor
REDACTED	GESI and Anti-Corruption Advisor
REDACTED	Strategic Comms Advisor

6. Reports

6.1 The Supplier shall submit project reports in accordance with the Terms of Reference/Scope of Work at Annex A.

7. Duty of Care

7.1 All Supplier Personnel (as defined in Section 2 of the Agreement) engaged under this Call-down Contract will come under the duty of care of the Supplier:

I. The Supplier will be responsible for all security arrangements and Her Majesty's Government accepts no responsibility for the health, safety and security of individuals or property whilst travelling.

II. The Supplier will be responsible for taking out insurance in respect of death or personal injury, damage to or loss of property, and will indemnify and keep indemnified DFID in respect of:

II.1. Any loss, damage or claim, howsoever arising out of, or relating to negligence by the Supplier, the Supplier's Personnel, or by any person employed or otherwise engaged by the Supplier, in connection with the performance of the Call-down Contract;

II.2. Any claim, howsoever arising, by the Supplier's Personnel or any person employed or otherwise engaged by the Supplier, in connection with their performance under this Call-down Contract.

III. The Supplier will ensure that such insurance arrangements as are made in respect of the Supplier's Personnel, or any person employed or otherwise engaged by the Supplier are reasonable and prudent in all circumstances, including in respect of death, injury or disablement, and emergency medical expenses.

IV. The costs of any insurance specifically taken out by the Supplier to support the performance of this Call-down Contract in relation to Duty of Care may be included as part of the management costs of the project, and must be separately identified in all financial reporting relating to the project.

V. Where DFID is providing any specific security arrangements for Suppliers in relation to the Call-down Contract, these will be detailed in the Terms of Reference.

8. Commercial Caveats

8.1 The following commercial caveats shall apply:

- Fees will only be paid for productive days or whilst travelling at DFID's request.
- DFID will not pay for a day of rest following travel, either Overseas or in the UK.
- DFID will only pay for security services which have been mutually agreed in advance and at cost.
- DFID will not reimburse costs for normal tools of the trade (e.g. portable personal computers).
- Rented accommodation should be used whenever possible and in particular for Long Term visits.
- Hotel accommodation should be compliant with the expenses policy and justified on the basis of Value for Money, with costs kept to a minimum.
- Receipts must be retained for all expenses.
- As detailed elsewhere in the tender documents, DFID will only pay for expenses e.g. travel, subsistence and accommodation at actual cost within the pre-agreed policy.

9. Modern Slavery

9.1 The HMG Modern Slavery Statement sets out how UK Government departments must take action to ensure modern slavery risks are identified and managed in government supply chains.
The DFID Supply Partner Code of Conduct sets out the expectation for all supply partners to have full awareness of the International Labour Organisation(ILO) principles. The Successful Supplier will be subject to compliance checks which will involve reviewing good practice examples that reflect these principles. Our Code sets out requirements for UN Global Compact sign up and further encourages Ethical Trading Initiative (ETI) membership for our Supply Partners and their delivery chain partners (at compliance level 1).
The Successful Supplier will also be encouraged to participate in the HMG modern slavery self-assessment process which in turn will support assurance of their compliance standard.

Procurement Policy Note 05/19

10. Call-down Contract Signature

10.1 If the original Form of Call-down Contract is not returned to the Contract Officer (as identified at clause 4 above) duly completed, signed and dated on behalf of the Supplier within 15 working days of the date of signature on behalf of DFID, DFID will be entitled, at its sole discretion, to declare this Call-down Contract void.

For and on behalf of	Name:
The Secretary of State for International Development	Position:
	Signature:
	Date:

For and on behalf of	Name:
CowaterSogema International Inc	Position:
	Signature:
	Date:

Section 4 - Appendix A Annex A

Call-down Contract

Terms of Reference

October 2018

Department for International Development

UKaid from the British people

Terms of Reference

Support to tax reform in Mozambique under the Tax and Economic Governance programme

Contents

1. Introduction and Background

October 2018

1.1 DFID has a long history of supporting economic and governance reforms for development in Mozambique. In June 2018, DFID obtained Ministerial approval for a Tax and Economic Governance (TEG) programme in Mozambique with a total budget of up to £16.5 million to run from 2018-2024. The programme aims to support strategic interventions that will deliver more efficient tax collection and stronger economic management in Mozambique. The programme will support at its core a national dialogue process on inclusive growth and natural resource revenue management. The programme has three distinct components that will:

1) Support Mozambique's ability to raise its own revenues efficiently and equitably (up to £8 million);
2) Help support more stable economic management, particularly challenges reinforced by the debt crisis including public investment, debt and fiscal risks management (up to £7 million); and,
3) Provide short term, diagnostic and monitoring support to respond to programme implementation needs (up to £1.5 million).

1.2 This tender is for the delivery of component 1) above. DFID is recruiting a service provider to support the Government of Mozambique's ability to raise its own revenues efficiency and equitably, contributing to the overall programme objectives.

1.3 Tax reform in Mozambique has made substantial progress since the creation of the Mozambican Revenue authority (MRA) in 2006. The MRA is responsible for administration of both internal taxes and customs – in this ToRs, tax refers to both. The tax to GDP ratio has increased from 13% in 2006 to 22% in 2017. UK support was instrumental in the creation of the MRA and the UK has continued to support the organisation from its creation up to 2016, mostly through a Common Fund (CF) that provided pooled donor funding in support of the MRA's investment budget. In 2016, DFID suspended its tax support following a decision to suspend all of its financial aid programming in response to revelations that the Government had publicly guaranteed loans worth over $1.4bn and not reported them. TEG has been designed as a new integrated and non-financial aid programme to continue UK support to both Tax and economic governance. These two components form the two pillars of the TEG's theory of change and are intended to complement and provide opportunities for policy dialogue on economic management for inclusive growth.

1.4 In spite of the progress made in revenue administration since 2006, different assessments[1] confirm that the opportunities for further improvements in the efficiency

[1] Reite and Mathias (2018) External review of support to MRA; OPM (2017) PFM Scoping and Appraisal of DFID

and fairness of revenue collection and taxpayers' services are immense. These potential gains are further underscored when viewed in the context of an economy that is likely to be driven heavily by growth in extractives industries in the medium term, where fiscal space is likely to be constrained over the period of the programme and where economic diversification will be necessary to support a more balanced development path for the country.

1.5 The improvements in tax reform have been benefiting from external support from various development partners and through different mechanisms. The CF has been providing un-earmarked funding to MRA's investment with average annual funding commitments of over USD4 million over the last 5 years.[2] The IMF has an extensive Technical Assistance (TA) programme covering various areas (e.g. strategic planning, e-taxation, taxation to extractives). Other bilateral TA interventions include: the UK/National Crime Agency support on fighting contraband of goods and people, Norway on audit to extractive companies, Spain on revenue forecasting and Sweden on risk management (ended 2018). The World Bank is currently designing an intervention in the form of a multi-donor trust fund to support tax policy and administration in several of the areas listed in the previous paragraph.

1.6 External support to MRA has been important to support the tax reform process and there is room to make it more effective.[3] This intervention seeks to explore some of those opportunities. For instance, experience shows that being connected to a knowledgeable and flexible pool of tax expertise is important for MRA to plan and quickly draw on relevant TA to respond to its long term and emerging strategic needs. Also, support can be made more effective with strategic earmarking of funding to goods and services that makes the most of the technical assistance provided – within the scope of the MRA strategic plan and priorities. Nevertheless, it is important to consider the Value for Money (VfM) risks that are brought about by the existence of multiple interventions which entail important transaction costs for MRA to properly engage with all. MRA holds the primary responsibility to lead on strategic coordination of all interventions aiming to avoid redundant overlaps, maximize positive synergies, and to increase absorption capacity. This programme should be sensible to these aspects and provide support to MRA's leading role as appropriate.

support to Mozambique; ODI (2017) Identifying opportunities for new or broader tax reform in Mozambique; TADAT report 2015; Gerster and Stella (2015). External review on the common fund for the implementation of Revenue Authority reform in Mozambique.

[2] Over the last five years, the CF donors included Norway; Switzerland; Sweden (until 2018); Denmark (until 2017); UK (until 2016); and Germany (until 2014).

[3] Gerster and Stella (2015). External review on the common fund for the implementation of Revenue Authority reform in Mozambique.

2. Objective

The objective of this requirement is to provide MRA and other relevant departments of Government of Mozambique (GoM) with the right expertise and tools to successfully implement strategic priorities within the GoM's tax reform agenda. Support is to be provided in alignment with the TEG programme results for tax: "*To strengthen the Revenue Authority's capacity to increase the levels and efficiency of domestic revenue collection and reduce taxpayers' compliance costs"* and with the programme's broader objective of strengthening economic management for inclusive growth.

3. Recipients and Beneficiaries

The recipient is the government of Mozambique, mainly the MRA, but other government departments (e.g. the departments in the Ministry of Economy and Finance that deal with tax policy analysis and formulation) may also receive support. Taxpayers will be the primary beneficiaries of the support. The final beneficiaries will be the people of Mozambique. In addition, other stakeholders, including development partners, will also benefit from any learning generated through the support.

4. Budget

4.1 The total budget for this component is up to £8 million, inclusive of any applicable taxes. An amount of up to £5 million will be allocated for technical assistance and capacity building activities. Up to £3million will be passed through to fund goods and services procured by MRA in support of its reform efforts. Informed by the programme's inception and annual reviews, DFID may review this allocation of the budget between the provision of the Supplier's services and the MRA procurement requirements as appropriate. Any revision of this split of funding will be justified by the need to (re)structure the programme activities to reach the envisaged results more efficiently.

4.2 The budget allocation between the tax component outputs will be initially defined during inception when the outputs are confirmed (indicative outputs are set out in the next section and in the TEG business case). Some flexibility in allocations between outputs will be necessary during implementation to adapt to lessons learned and changing circumstances, whilst ensuring continued line of sight to the overarching programme objectives.

5. Scope and context

5.1 This requirement will cover the implementation of the Tax component of the Tax and Economic Governance programme. Support to tax forms one pillar of the programme's overall theory of change (illustrated in diagram 1).

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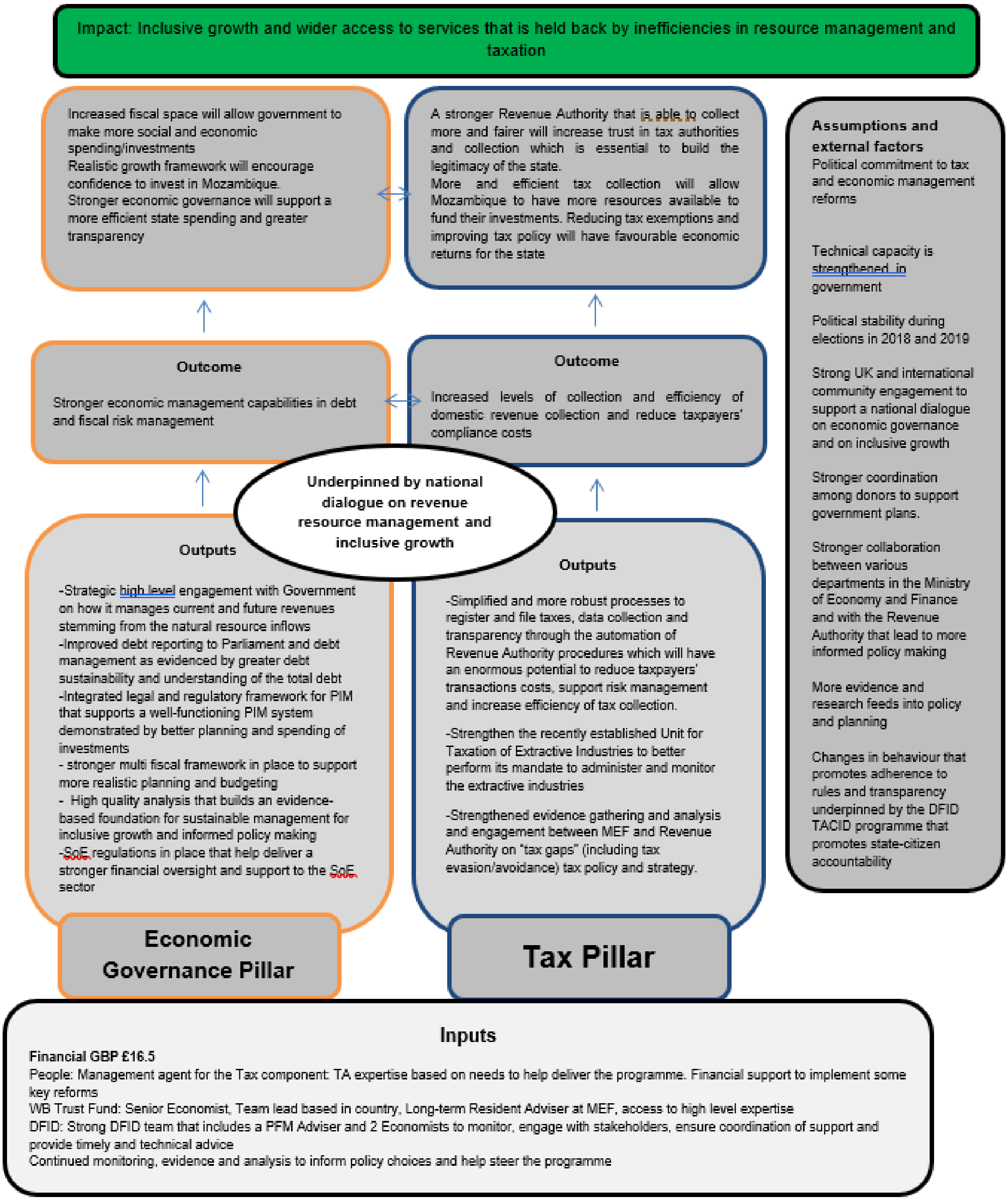
Diagram 1: TEG Theory of Change



5.2 As such, in line with the theory of change, consideration will need to be given to how tax support can contribute to and strengthen the programme's overall objectives, working alongside other support to economic governance. The Supplier will be expected to have the capability to perform a range of functions including:

- Project management
- Identification and provision of technical assistance
- Capacity building activities
- Analysis to inform and support project priorities
- Advice and support to GoM on investments to support reform plan, in particular those to be fully or partially funded with DFID pass-through funds. This could include support to MRA in its design, procurement, quality assurance and monitoring of services.
- Fund management of pass-through funds
- Support to donor coordination efforts
- Advice on the setting and review of project results with the MRA
- Secretariat support and advice for policy dialogue for the tax component and overall programme
- Policy influence

5.3 As MRA develops its activities throughout Mozambique, the Supplier will be required to travel to different locations within the country as appropriate. While location will be agreed at inception and during implementation they are likely to include at least one province per region (Centre, South and North) every year.

6. Outputs

6.1 The following outputs of the tax pillar were identified as part of a scoping exercise with MRA and are aligned with MRA strategic plan 2018-2022:

- Simplified and more robust processes to register and file taxes, data collection and transparency through the automation of Revenue Authority procedures which, if implemented appropriately, will have an enormous potential to reduce taxpayers' transactions costs, support risk management and increase efficiency of tax collection.

- A strengthened Unit for Taxation of Extractive Industries to better perform against its mandate to administer and monitor the taxation of the extractive industries. This includes, for example, functions in risk analysis, projections and policy.
- Strengthened Ministry of Economy and Finance (MEF) capabilities on evidence gathering, analysis and design of tax policy.

6.2 The MRA's strategic plan will provide a guiding framework for activities. The strategic plan as well as a list of priority projects to support its implementation during 2019 will be shared with the successful bidder in due course.

6.3 However, as detailed in the next section, the programme outputs will be revisited and defined at inception phase and as appropriate throughout implementation – always in alignment with MRA's strategic priorities and with TEG outcomes.

7. Requirements

This sections presents the main requirements of this assignment grouped into three main categories: i) requirements that are specific to the inception phase; ii) requirements specific to the implementation phase; and iii) skills and expertise requirements.

7.1 Inception phase requirements

7.1.1 A top priority for the **Inception phase** is to assess and refine the proposed outputs and identify key activities to be supported. The Supplier will assess the need for additional/alternative outputs for DFID's consideration and provide a strong rationale for proposed changes and associated interventions. The Identification of the outputs and activities to be supported should be assisted by strong technical and political economy analysis and take account of, inter alia:

- The alignment with MRA's strategic plan and with TEG objectives;

- The likely effectiveness of the planned interventions considering, among others, the suitability of interventions in relation to the GoM's capacities, needs and priorities;
- The desire to coordinate with other donors and their interventions and reducing transaction costs for MRA to engage with various donors;
- The need to develop MRA's long-term capabilities to implement and sustain improvements beyond the duration of the project;
- The need to diversify activities according to the level of risk so as to manage the overall risk of the programme;
- The relative value for money of activities.

7.1.2 The Supplier is required to deliver the following during the inception phase of this assignment:

i) **An Administrative Manual** which will set out the operating policies and procedures for all contract related work. The manual should elaborate on the details for the programme set-up and implementation arrangements including: the flow of funds mechanism and financial management (distinguishing the mechanism for financing TA activities and funding MRA's procured goods and services – see paragraph 7.2.4 and 7.2.5); supervision arrangements and reporting mechanisms; human resources management; Safeguards policy and instruments for its implementation; mechanisms of engagement with MRA; the criteria to verify and approve payments for pass-through activities in alignment with the MoU between DFID and MRA (see paragraph 7.2.4 and 7.2.5); etc.

ii) **A political economy assessment** The Supplier shall evaluate the political economy context and the risks associated with the successful development and implementation of the project, and shall propose measures which aim to reduce the probability and mitigate the impact of the risks.

iii) A **Risk assessment** (including an initial Supply chain risk mapping and a fiduciary risk assessment related to the pass-through funds) and the mechanisms for its monitoring in compliance with DFID's risk assessment guidance. The risk assessment will form part of the Bidders' proposal and will be further elaborated during the Inception phase and updated throughout implementation. For the avoidance of doubt, this risk assessment is in addition to the risk assessments required to meet the Supplier's Duty of Care set out in Annex.

iv) **A Work-plan for implementation:** The inception phase will produce a work-plan to support selected GoM tax reform priorities that match DFID's priorities. The work-plan will focus on the delivery of the outputs identified by end-inception. The work-plan for year 1 of implementation will include detail on:

- activities related to the provision and transfer of tax and managerial technical expertise and tools;
- activities to support MRA investments and the transfer of pass-through funds for goods and services procured by the MRA
- planned results and indicators
- activities in support of policy dialogue and coordination
- the staffing, technical resources and methodology to be deployed by the Supplier for the implementation phase;
- the forecasted budget to be updated annually and quarterly.
- fully transparent and costed milestones categorised in accordance with the PbR arrangements
- a rationale for the proposed work-plan and how it will achieve the planned and refined outputs grounded in strong technical, political economy, risk and value for money analysis

Keeping in mind that this is a flexible and adaptable intervention and that the work-plan should be reviewed quarterly and embed the required flexibility to adapt to changes, for outer years the work-plan should outline the outputs and high level activities, expected results and the budget estimate. During implementation, the work-plan for the current year and for the following year will be revisited on a quarterly basis – see 7.2 on implementation requirements for more details.

v) **A Monitoring and Learning Strategy***.* The Suppliers are required to embed evidence gathering and learning and ensure a Programme that is flexible to adapt to changes/context. The strategy should allow for monitoring against the programme Theory of Change and logframe and for revisions of those where required. The strategy should consider how the Tax component activities will dock into the other pillar of the programme on economic governance (including mapping the linkages to other donor Programmes and to the MRA Strategic Plan and PFM Strategy).

vi) **A Value for Money Strategy:** the Supplier should demonstrate how the Supplier envisages delivering maximum value for money from the budgetary envelope for this component and for the TEG programme. The VfM strategy should include detailed VfM indicators and metrics including their rationale, cost benchmarking (where available) and the mechanisms to monitor and report against each of them. This will include Key Performance Indicators.

7.2 Implementation phase requirements

7.2.1 In the **implementation phase,** the Supplier will be responsible for supporting MRA deliver the outputs by providing the expertise and tools for the implementation of related activities as agreed during the inception phase, while remaining flexible to changing circumstances/context and open to adaptation to ensure the success of reforms. Technical support should inform and be complemented by goods and services procured by MRA that are supported with DFID funding to ensure their success. Developing and maintaining strong and trusted relations with the MRA will be essential to the success of the support. Throughout implementation, the Supplier will need to build and manage consensus in support of strong policy dialogue and reform activity. The Supplier, working together with DFID, will need to ensure good coordination with other development partner supported activities. The Supplier will also provide ongoing secretariat support and advice to the programme level steering committee that will meet at a high level at least twice a year.

7.2.2 <u>The Supplier is required to deliver:</u>

- Annual work-plans broken down by quarters, to be approved by DFID and by the MRA. The work-plans should take into account, inter alia, the aspects listed in 7.1.1 and 7.1.2 bullet iv);
- Effective implementation of agreed programme strategies and work-plans;
- The progress and financial reports listed in section 11 on Coordination and reporting;
- Completion of agreed programme milestones and deliverables (see section 10 on Contract management and payment structure for more details);

- Evidence that the programme is embedding learning and adequate adaption into its plans and activities
- Strong fund management for pass through activities (see 7.2.4 and 7.2.5)
- A healthy professional and cordial relationship with MRA and other stakeholders

7.2.3 This is a flexible and adaptive programme therefore the logframe outputs, budget, work-plan and PbR details will be agreed on an annual basis, and monitored at quarterly review meetings, to maximise opportunities and minimise risks, taking account of what is working, what can be scaled up and what needs to stop. The detailed work-plan for the second and subsequent years of implementation should be approved submitted for DFID approval at least 3 months before the end of the previous year.

7.2.4 For **pass-through activities** the Supplier will be required to perform the role of a Fund Manager (FM), overseeing the use of funds allocated by DFID to fund goods and services procured and managed by MRA. In this FM role, the Supplier will provide appropriate advice on what pass-through activities proposed by the MRA represent the best VfM for the DFID programme results taking into account, among others, other donor funding commitments and the MRA's own investment plans. DFID, in coordination with MRA and other tax donors, will approve on an annual basis the plan to fund pass-through activities. The Supplier will provide adequate verification that the MRA procured goods and services to be funded by this programme are fully compliant with national procurement legislation and that the payments to be made are aligned with the contractual provisions (verification criteria to be defined at inception and aligned with the MoU between MRA and DFID). To minimise potential delays in procurements, and depending on the capacity within the MRA, the Supplier will also provide advice on the planning and design of ToRs for the goods and services to be procured by MRA and support during key technical steps in the procurement process. The Supplier will not be responsible for managing the contracts for MRA procured goods and services or accountable for their delivery but will, as necessary, provide quality assurance support to DFID/MRA to inform the reform activities.

7.2.5 The feasible options for the **flow of funds mechanisms for pass-through activities** will be defined in the MoU between DFID and MRA. This will include, but not limited to, a mechanism where MRA leads the procurement and contracts its suppliers and the DFID Supplier makes direct payment to MRA suppliers.

7.3 Skills and expertise requirements

7.3.1 A crucial factor for the success of the programme will be the Supplier's capacity to mobilize, retain and restructure (as appropriate) a team with adequate skills and expertise and that is able to build strong professional and open relationship with MRA.

7.3.2. The team composition and governance structure should include Maputo-based staff that includes a team leader, advisory staff, and programme support/secretariat staff.

7.3.3 Suppliers will require a good combination of expertise from the team in areas such as: tax administration and policies; leadership and team management; policy development and influence; institutional development; programme design, implementation, M&E; funds and risks management; GoM (or equivalent) procurement and financial systems. It is crucial that the team has a good understanding and ability to navigate the context and political economy of Mozambique and of MRA to be able to effectively work jointly with MRA at different levels of the organisation and achieve the desired results.

7.3.4 Suppliers must ensure they have the capacity (including adequate networks to draw on additional expertise) to scale up advisory staff in country either to adequately respond to programme needs as required – including, but not limited to, the use of the tax expertise from the African Tax Administration Forum (ATAF), peer revenue administrations in the region, and the UK Government as required.

7.3.5 Suppliers must demonstrate they have expertise on working in a developing environment, preferably Africa, and in ensuring skills transfer and sustainability. Ability to communicate verbally and in writing in both Portuguese and English will be looked upon positively and will be assessed as per technical criterion T3 of the tender's technical scoring.

8. Extension and scale up

While a programme extension is not envisioned at the present time, if other donors request to join the programme or participating donors deem relevant to increase the programme budget, provisions will be considered for a possible increase in the budget to a contract ceiling of £12m and a time extension of up to 2 years, both subject to approval.

9. Timeframe and Decision Points

9.1 *The Inception phase* will run for up to 4 months from the contract start date. It is anticipated that the inception phase will start in the fourth quarter of 2019. If a postponement is required, this will be informed before the signature of the contract with the selected supplier. In case the need to postpone the start of the inception emerges after the signature of the contract, the start date will be negotiated with both the supplier and MRA.

9.2 *First Decision point:* The contract for the implementation phase will only be confirmed following the successful completion of the inception phase. DFID in coordination with MRA will review the Supplier's performance, the Inception report and related discussions, including the proposed implementation plan, before deciding whether to proceed to implementation. The final inception report (including the implementation plan) will be provided at least a month before the end of inception. The Supplier will need to plan the inception phase accordingly and to specify the additional work to be undertaken after the submission of the inception report and the start of implementation.

9.3 *Implementation (phase 1):* The implementation phase will be divided into two periods. The first is expected to run from the end of the inception to the end of March 2022.

9.4 *Second Decision point:* will be decided on the basis of an independent Mid-Term Review (MTR) of the programme (which will assess performance of the component against its objectives) and on the agreement between all parties (DFID, Supplier and

GoM). The MTR is expected to be completed by March 2022 to avoid unnecessary breaks in implementation if the decision is to proceed to phase 2.

9.5 *Implementation (phase 2):* will run from April 2022 to March 2024

9.6 The decisions on whether to move to phase 2 of implementation will depend on:

- The achieved results as demonstrated in annual reviews;
- Lessons learned and achieved results as demonstrated by the Medium Term Review in 2022;
- The Supplier's satisfactory performance against agreed outputs and milestones;
- Continued MRA commitment and performance in relation to its tax reform priorities to be supported by this programme;
- The level of assessed risk

9.7 The awarded contract will have suitable provision for variation in order to successfully adapt to changes that occur during the life of the Programme including upscaling, downsizing and review of the budget split between technical assistance and pass-through activities. Any changes to the budget split will be limited to a total of 20% of the value of the contact (e.g. £1.6 million considering the contract value of £8million). The required changes will be adopted as part of the recommendations of the annual reviews of the programme and of the MTR. DFID have the right to request changes to the Contract, including the Services, the Terms of Reference and the Contract Price to reflect lessons learned, or changes in circumstances, policies or objectives relating to or affecting the Programme.

9.8 In the event that DFID determines not to proceed with the contract as a result of the reviews, the Contract will be terminated in accordance with the DFID Standard Terms and Conditions.

10.Contract Management and Payment Structure

10.1 The total value of this contract is up to a maximum of £8 million. This total amount includes Suppliers' fees/expenses, any applicable taxes and monies to be spent directly on technical assistance and capacity building activities to the MRA and related logistics costs (e.g. travels, workshops), as well as the pass-through funds deemed necessary to achieve the programme outputs and fully or partially funded by this component).

10.2. For pass-through funds, the mechanism to be agreed at inception will enable the Supplier to make payments in accordance with the MRA's contract terms.

10.3 This contract will be a Payment by Results contract with most payments being made for progress against the logframe outputs through proposed milestones. Milestones will be agreed by DFID and the Supplier i) before inception; ii) at end-inception; ii) on an annual basis and will allow flexibility to adjust/move personnel to complete activities if required. These will need to clearly reflect progress towards the programme outputs underpinned by the theory of change.

10.4 At tender stage Suppliers will be invited to propose a PbR approach. This will include a categorisation of milestones/outputs to ensure there no disincentives to tackle experimental or new areas of work. A minimum (and non-negotiable) of 25% of the payments will be dependent on the Supplier performance against agreed output milestones – for both inception and implementation phases. The percentage of payments that depend on completed milestones will increase for activities/results with a reduced level of risk (ie. where the Supplier has full or substantial control over delivery of the milestone)

10.5 The PbR mechanism will ensure transparency of progress towards the achievements of outputs, intermediate outcomes and outcome, with annual work-plans and quarterly milestones or progress markers set out in the logframe. At tender stage Suppliers will be partly evaluated on their level of ambition, feasibility and risk-sharing of their PbR proposals. Proposed milestones, leading to outputs in the logframe, will be categorised into the following Delivery Profile, showing the resources to be deployed across four key categories:

Cat	Responsibility of Supplier	Supplier Risk
A	Deliverables within the control of the Supplier to complete on time	Very low
B	Deliverables partially within the control of the Supplier and recognised as achievable/outputs gradually more within Supplier's control, through learning what works	Low - Medium
C	Deliverables partially within the control of the Supplier and recognised as more difficult to achieve	Medium
D	Deliverables contributing to the outcome – gradually within Supplier's control as programme progresses, over time	Medium - High

10.6 The minimum of 25% is applicable to the milestones presenting the highest level of risk (B-D) with all milestones in category A, within the Supplier's control, being paid on satisfactory completion of the agreed method of verification. Annual work-plans proposed by the Supplier will provide an updated Delivery Profile taking account of changing risks and opportunities that is acceptable to DFID. Roll-over of output payments not met by the agreed time will not be automatic and will be considered on a case-by-case basis taking into account the reasons for non-completion.

10.7 In the event that DFID decides not to proceed with the implementation phase, the contract will be terminated at no cost to DFID. In the event that DFID decides to proceed to the full implementation, a contract amendment will be issued to include details of the services to be provided in the form of updated Terms of Reference, milestones/outputs and all other KPIs, updated implementation costing linked to a clear work-plan and logframe.

10.8 An indicative set of KPIs is included in Annex 1. This will be finalised at the end of the inception phase.

11. Coordination and Reporting

11.1 The Supplier will monitor and report on spend and results. The Supplier will report to and is principally accountable for delivery to DFID Mozambique. The Supplier will coordinate with the MRA when monitoring on progress. Reporting to DFID will be done against the agreed work plan and budget.

11.2 In the event that it is agreed with the Supplier that other donors join this delivery modality by delegating cooperation to DFID, the Supplier in discussions DFID, all participating donors and MRA will revise the work-plan and deliverables accordingly and will report against the jointly revised work-plan under the same contractual terms.

11.3 DFID Mozambique will be responsible for oversight of this component through the Senior Responsible Officer (SRO) of the TEG programme. Oversight of the tax component may be delegated to another DFID adviser. The Supplier will be expected to organize (at least quarterly) presentations and discussion to DFID and separately to DFID+MRA on progress and work-plan for the next periods. The Supplier may be required by DFID to provide presentations on its work to the tax donors group. In case the Supplier's work-plan covers areas being supported by other donors, the Supplier may be required to perform a coordinating role as appropriate.

11.4 TEG includes a monitoring component that will fund the independent mid-term review planned for 2022. While no final independent evaluation is currently planned, this could be later included in the monitoring component of TEG as required.

11.5 Throughout inception and implementation the Supplier will submit:

- Three quarterly and one annual report on progress of activities and financial execution; the reports should include sections on progress against work plans and logframe targets, updates on risks, update the supply chain, VfM and monitoring and learning, an updated financial statement including spend against budget lines, performance against KPIs, updates on team including any short-term consultant inputs over the period, and include any revisions to the work plan and financial forecasts for the following two quarters. The reports should also reflect on challenges, recommendations and learning objectives for the subsequent period and with reference to the programme's theory of change. The progress and financial report should be submitted up to 25 days after the end of the reporting. The submission dates will be agreed to align with the provision of information for the TEG Annual review;

- Quarterly progress review meetings with DFID to discuss progress revisit the theory of change and plan next activities, quarterly (or as deemed appropriate) progress meetings with MRA, and debriefs to other donors as required. The Supplier will be expected to keep DFID informed of other key meetings and activities during implementation and participate in more regular meetings to update DFID on activities.
- An annual independent financial audit of the project completed by a recognised auditing firm. ToRs should be shared and agreed with DFID prior to initiating the audit.
- Provide annual audited statements of all funds received and disbursed solely related to this programme. The audit reports must be completed within four months of the completion of the financial year.
- The Supplier should include in the quarterly and annual reports a statement on their adherence to the duty of care and report on any incidences occurred or foreseen.
- Exit Plan, submitted in draft within 3 months before termination of the contract.

12. Disability and Inclusion

The Supplier shall outline in their proposal how they intend to design, develop and implement the project in ways that take into account the needs and capabilities of people with disability and other vulnerable groups. The Supplier shall also include details of how they will encourage inclusive stakeholder engagement processes to ensure marginalised and vulnerable groups benefit from the programme where possible.

13. End of Contract Activities

13.1 Three months before the expiry date of the contract the Supplier will prepare for DFID approval, a draft Exit Plan which shall include plans for:

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

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

iii. ensuring the smooth transfer of responsibilities from the Supplier to any persons or organisations taking over such responsibilities after the contract ends;

iv. delivering 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. providing 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 Supplier;

vi. returning all confidential information to DFID before the contract end date.

13.2 The Supplier should allow for a period of up to sixty days after the contract end date (or termination date) for the exit process to be properly implemented.

14. Transparency

14.1 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.

14.2 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 to DFID. Further information is available from the International Aid Transparency Initiative (IATI): www.aidtransparency.net.

15. UK Aid Branding

Suppliers that receive funding from DFID must use the UK aid logo on their development 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: www.gov.uk/government/publications/uk-aid-standards-for-using-the-logo

16. Digital

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

17. Do No Harm

17.1 DFID requires assurances regarding protection from violence, exploitation and abuse through involvement, directly or indirectly, with DFID Suppliers and programmes. This includes sexual exploitation and abuse, but should also be understood as all forms of physical or emotional violence or abuse and financial exploitation.

17.2 The Supplier will be required to include a statement that they have duty of care to project stakeholders and their own staff, and that they will comply with the ethics principles in all activities. Their adherence to this duty of care, including reporting and addressing incidences, should be included in both regular and annual reporting to DFID.

17.3 A commitment to the ethical design and delivery of evaluations including the duty of care to informants, other programme stakeholders and their own staff must be demonstrated.

17.4 DFID does not envisage the necessity to conduct any environmental impact assessment for the implementation of this project. It is, nonetheless, important to adhere to principles of "Do No Harm" to the environment.

18. Duty of care

18.1 This assignment will take place primarily in Mozambique. The Duty of care Summary Risk Assessment Matrix for Mozambique is included as Annex 2 at the end of this document.

18.2 The Supplier 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.

18.3 DFID will share available information with the Supplier on security status and developments in-country where appropriate. In particular, DFID will provide:

- A security briefing by the British High Commission to Supplier Personnel on arrival for the inception phase. All such Personnel must register with their respective Embassies / High Commissions to ensure that they are included in emergency procedures;
- The updated country risk matrix

18.4 The Supplier 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 FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

18.5 The security situation is subject to change. The Supplier should be comfortable working in such an environment and should be capable of deploying to any areas required within the region in order to deliver the Contract.

18.6 The Supplier is responsible for ensuring that appropriate arrangements, processes and procedures are in place for their Personnel, taking into account the environment they will be working in and the level of risk involved in delivery of the

Contract (such as working in dangerous, fragile and hostile environments etc.). The Supplier must ensure their Personnel receive the required level of training and safety in the field training prior to deployment.

18.7 Bidders must develop their Tender on the basis of being fully responsible for Duty of Care in line with the details provided above and the initial risk assessment matrix developed by DFID. They must confirm in their Tender that:

- They fully accept responsibility for Security and Duty of Care.
- They understand the potential risks and have the knowledge and experience to develop an effective risk plan.
- They have the capability to manage their Duty of Care responsibilities throughout the life of the contract.

18.8 If you are unwilling or unable to accept responsibility for Security and Duty of Care as detailed above, your Tender will be viewed as non-compliant and excluded from further evaluation.

18.9 Acceptance of responsibility must be supported with evidence of capability and DFID reserves the right to clarify any aspect of this evidence. In providing evidence Bidders should consider the following questions:

i. Have you completed an initial assessment of potential risks that demonstrates your knowledge and understanding, and are you satisfied that you understand the risk management implications (not solely relying on information provided by DFID)?

ii. Have you prepared an outline plan that you consider appropriate to manage these risks at this stage (or will you do so if you are awarded the contract) and are you confident/comfortable that you can implement this effectively?

iii. Have you ensured or will you ensure that your staff are appropriately trained (including specialist training where required) before they are deployed and will you ensure that on-going training is provided where necessary?

iv. Have you an appropriate mechanism in place to monitor risk on a live / on-going basis (or will you put one in place if you are awarded the contract)?

v. Have you ensured or will you ensure that your staff are provided with and have access to suitable equipment and will you ensure that this is reviewed and provided on an on-going basis?

vi. Have you appropriate systems in place to manage an emergency / incident if one arises?

19. General Data Protection Regulations (GDPR)

Please refer to the details of the GDPR relationship status and personal data (where applicable) for this project as detailed in Appendix 1 below.

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Annex 1: Key Performance Indicators

Inception phase KPIs:

Compliance with the technical and financial proposals and with contractual terms. This should be verified among others by:

- Technical and human resources deployed and inception methodology
- Adequate adjustments are proposed to ensure that the Supplier's team members, implementation and governance structures deployed for the inception phase reflect learning and adaptability. When adjustments are proposed they should be supported by evidence, consultation with relevant actors, and properly documented. Adjustments require approval from DFID.
- Evidence that the Supplier's team is able to develop a good professional relationship with the MRA at different levels – as evidenced by a positive feedback from MRA officials
- Accurate and timely submission of financial reports, invoices and forecast (to be submitted on a monthly basis within 15 days after the end of the reporting period)
- Quality and timeliness of debriefs and discussions presented to stakeholders (at least three debriefs during the inception phase to DFID, MRA and other donors as appropriate)
- Quality and timeliness of the inception report (including the planned activities and budget forecast, risk matrix, MEL strategy, VfM framework). The draft inception report should be submitted one month before the end of the inception period and the final report within one week after the end of the inception period.
- Compliance with the financial proposal and other contractual terms not specified above

Implementation phase (Indicative KPIs)

Programme management: Compliance with technical, financial proposal, contractual terms, and with the way forward and work-plan agreed at inception phase. This should be verified among others by:

- Accurate and timely submission of financial reports, forecasting and invoices. These should be submitted on a quarterly and annual basis within one month after the end of the reporting period.
- Quality and timeliness of annual work-plans submitted and compliance with work-plans. These should be submitted on a quarterly and annual basis within one month after the end of the reporting period.
- Demonstrated capacity to mobilize timely and adequate technical expertise in support of agreed activities. Once priorities are identified together with MRA.
- Demonstrated robustness of procurement, financial and control systems. These will be verified by a due diligence of the supplier and by annual financial audit reports.
- Quality and timeliness of the progress and financial reports and updates to the risk matrix, MEL information and strategy, VfM framework (to be updated quarterly and yearly, one month after the end of the reporting period)
- The Supplier is responsive, flexible and demonstrates application of testing, learning and adaptation when making its analysis and recommendations (as evidenced by feedback from MRA and by the MTR of the project).
- Compliance with other key programme milestones and deliverables to be agreed at the end of inception and adjusted throughout programme implementation.

<u>With regards to the programme results, the Supplier will need to present in its annual progress report evidence that its activities have contributed to:</u>

Output 1: Simplified and more robust processes to register and file taxes, data collection and transparency through the automation of Revenue Authority procedures which will have an enormous potential to reduce taxpayers' transactions costs, support risk management and increase efficiency of tax collection.

- Increasing tax to GDP ratio (target to be defined yearly by MRA).
- Compliance with the timeframe for the implementation of MRA projects (e.g. E-taxation, Data centre)
- Increase in the percentage of tax declarations and payments submitted on time
- Reduction in the average number of hours required to pay taxes
- Internal and external perception of MRA as a business enabler

- Improved availability and quality of tax information to inform risk analysis and policy making
- Gradual reduction in the average unit costs of collecting taxes

Output 2: Strengthen the recently established Unit for Taxation of Extractive Industries (UTIE) to better perform its mandate to administer and monitor the extractive industries (around risk analysis, projections, policy for example).

- Growing ratio of Extractives taxes to Extractives GDP
- Tax audits performed on the largest extractive companies (those responsible for at least 85% of the sector taxes)
- Improved availability and quality of tax information to inform risk analysis and policy making, for the EITI reports, for the state budget and execution, and for the Supreme Audit Institution.
- Reduction in extractives tax avoidance/evasion
- Improved forecasts of Extractives tax revenues
- Improved clarity of the UTIE functions and its relation with respect to other MRA and Ministry of Finance departments
- Improved staff capacities and tools to perform its functions

Output 3: Strengthened evidence gathering and analysis and engagement between the Ministry of Economy and Finance (MEF) and Revenue Authority on “tax gaps” (including tax evasion/avoidance), tax policy and strategy.

- Increased leadership of MEF in tax policy analysis backed by better quality tax information provided by MRA;
- Broader and improved discussions on new tax policy and impact assessment of policies involving various government, private sector and civil society organisations as appropriate
- Improved MEF and MRA staff capacities and tools to perform tax policy analysis
- Improved tax system that is more simplified, efficient and progressive
- New revenue policies increasingly underpinned by analysis

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Annex 2: Duty of care Summary Risk Assessment Matrix

The Supplier 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. DFID will share available information with the Supplier on security status and developments in-country where appropriate.

The Supplier is responsible for ensuring appropriate safety and security briefings for all their Personnel working under this contract. Travel advice is also available on the FCO website and the Supplier must ensure they (and their Personnel) are up to date with the latest position.

Theme	**DFID Risk score**
OVERALL RATING	3
FCO travel advice	3
Host nation travel advice	Not available
Transportation	3
Security	3
Civil unrest	3
Violence/crime	3*
Espionage	2
Terrorism	2
War	3**
Hurricane	3*****
Earthquake	1
Flood	2***
Medical Services	4****

1 Very low risk	2 Low risk	3 Medium risk	4 High risk	5 Very high risk
Low		**Medium**	**High risk**	

* Most cases will go unreported and unknown to the authorities and public. Street crime is a risk in parts of Maputo and other cities. Car-jackings and house robberies are infrequent but do occur.
** A permanent ceasefire accord between Renamo and the Government of Mozambique is planned to be signed in August 2019. But new violent conflict is happening in the northern province of Cabo Delgado and there’s no clear information of the reasons behind it and the Government has been minimising the impact. However, this is unlikely to escalate to a full-blown civil war.

*** Serious flooding happens in two to three years intervals in the following areas: Inkomati and Limpopo Rivers in the south; Zambeze valley in the central region, Messalo and Megaruma rivers in the north.
**** 3 in major cities (Maputo/Matola/Beira/Nampula) and 4 in others cities, outside villages and provinces (Inhambane/Gaza/Manica/Tete/Lichinga e Pemba).
***** Recently clyclones Idai and Keneth hit heavily the central provinces of Sofala, Nampula and Cabo Delgado. Due to its geographical localization Mozambique may be affected by other cyclones in future.

For further information please consult the FCO travel advice:

https://www.gov.uk/foreign-travel-advice/mozambique

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Appendix 1 of Call-down Contract (Terms of Reference)
Schedule of Processing, Personal Data and Data Subjects

This schedule must be completed by the Parties in collaboration with each-other before the processing of Personal Data under the Contract.

The completed schedule must be agreed formally as part of the contract with DFID and any changes to the content of this schedule must be agreed formally with DFID under a Contract Variation.

Description	Details
Identity of the Controller and Processor for each Category of Data Subject	The Parties acknowledge that for the purposes of the Data Protection Legislation, the following status will apply to personal data under this Call-down Contract: 1) The Parties acknowledge that Clause 33.2 and 33.4 (Section 2 of the contract) shall not apply for the purposes of the Data Protection Legislation as the **Parties are independent Controllers** in accordance with Clause 33.3 in respect of Personal Data necessary for the administration and/ or fulfilment of this contract. 2) For the avoidance of doubt the Supplier shall provide **anonymised data** sets for the purposes of reporting on this project and so DFID shall not be a Processor in respect of Personal Data necessary for the administration and/or fulfilment of this contract.

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Section 4 - Appendix A Annex B

Proformas

REDACTED

October 2018