

Section 3

TERMS OF REFERENCE Tax, Audit and Transparency (TAUT) Programme

1. Objective

1. DFID Ethiopia is contracting a service provider for its newly designed Tax, Audit and Transparency (TAUT) Programme, initially for three years period with possibility of extension for two more years. The TAUT Programme is a DFID bilateral technical assistance to Government of Ethiopia (GoE) to be managed and administered by a third party referred to in this TOR as a service provider. The Programme intends to improve the GoE's tax system, audit and oversight functions and anti-corruption practices. The expected outcome is increased domestic revenues and improved accountability and transparency, with the overall goal of effective management of public resources to help in delivering the Growth and Transformation Plan of the GoE.

2. Recipient

2. The main recipients of the service will be the GoE represented by multiple federal and regional agencies on one hand and the DFID on the other hand. The recipients and key stakeholders in GoE will include Ethiopian Revenue and Customs Authority (ERCA), Office of Federal Auditor General (OFAG), Federal Ethics and Anti-Corruption Commission (FEACC) and their counterparts in Oromia, Amhara, SNNP and Tigray Regional States. The Ministry of Finance and Economic Development (MoFED) will also be another key stakeholder.

3. Scope of Work

3. The service provider will provide Technical Support and administrative services based on the approved Business Case. The programme development and administrative services will broadly cover deployment and oversight of Long-term advisors and experts; development of annual work plan; implementation, coordination and reporting; financial and procurement managements; and delivery of the whole programme outputs.

4. Specific tasks/activities

4. **Preliminary activities/tasks:** the following preliminary activities are expected to be carried out in the first three months from signing of the contract:

Service Provider;

- a. Mobilise the first round of core staff including the Chief of Party and three Long-term advisors one for each of the three components (Tax, Audit, Transparency);
- b. Supply long term and short term experts as necessary and manage their performance ensuring delivery as per their terms of reference;
- c. The broad feasible option identified for TAUT implementation is a technical support to both administrative and policy reform at federal level and in the four 'big' regions. The service provider will further study and identify specific contents within this broad option and agree with TAUT agencies and DFID;

Chief of Party/ Long Term Advisor/ Admin Support

Chief of Party with support from Long-term advisors –

- d. Produce inception report detailing set up of governance structure, management and communications arrangements;
- e. Produce detailed year one work plan for approval by TWG/PSC;

Long-term Advisor

- f. Consult and establish mutual understanding with HMRC unit established for tax capacity building support and or with the long term adviser seconded to ERCA;

5. Other specific activities/tasks/responsibilities include:

Chief of Party will:

- a. Provide technical and managerial leadership in the development of TAUT annual action plan and its implementation;

Chief of Party with input from Long-Term Advisors will:

- b. Agree payments based on key milestone deliveries inputs. Key performance indicators (KPIs) will be developed by the service provider for payments and agreed during the TAUT inception phase.
- c. Prepare quarterly and annual progress reports, submit the reports to the TWG and PSC, and provide explanations at the meetings. (each of the Long-Term Advisors will provide information for the reports);
- d. Develop simplified indicators and formats for monitoring of risk and value for money (The Long-Term Advisors will prepare their respective areas and the Chief of Party compiles and submits to DFID);

Long-Term Advisors will:

- e. Develop relevant and high quality terms of references for all procurements – consultancy services, trainings, benchmarking visits and goods. The technical Service provider will develop specifications for goods and equipment based on need assessment. The procurement will be assigned to a third party agent;
- f. Ensure coordination and complementarity of TAUT with other donor supported programmes (through advice to GoE counterparts, consultation with DPs, Work planning and implementation process);
- g. Provide advice and guidance to the GoE on the capacity building needs of tax, audit and anticorruption;
- h. Provide guidance and closely work with the designated staff of GoE agencies (ERCA, OFAG, FEACC and their regional counterparts from Oromia, Amhara, SNNP and Tigray, as well as MoFED); travel to regions.
- i. Identify potential partners and training institutions in UK, in Ethiopia and or in other countries and initiate linkages and manage each engagement;
- j. Facilitate the transfer of know-how, experiences and good practices through management and administration of exchange of visits, peer reviews, mentoring, coaching, institutional links and networking;
- k. Gather and analyse the existing data and update the logframe including establishment of robust indicators, baselines, milestones and targets in consultation with TAUT agencies, DFID and external assessor as

necessary within the first year of implementation;

- l. Develop and implement effective monitoring systems for TAUT to assess progress, evaluate results and identify issues that may arise during implementation;
- m. Ensure specific actions and milestones are included in the work plan and M&E framework to help reduce gender inequality in TAUT activities of GoE;
- o. Prepare adequate briefing and information pack to ensure that the UK government departments are aware of the political and institutional context and understand the opportunities and challenges of tax system, external audit and oversight functions, and anti-corruption practices in Ethiopia;

Administrative/Logistics Services will:

- p. Manage payments to suppliers and other expenses, check that invoices are valid, and reclaim amounts from DFID;

Service Provider will:

- q. Prepare annual, quarter and monthly budgets and forecasts with sufficient explanation and submit to DFID for approval (the Service Provider with input from the Chief of Party and Admin and Logistics);
- r. Maintain full financial records and prepare quarterly and annual financial reports and submit to DFID for review and endorsement; the service provider will also get the accounts audited every year (This will be carried out by the Service Provider with support from Admin and Logistics person);

KEY FUNCTION	RESPONSIBLE
Contract Administration	Service Provider
Communications between DFID and Service provider	Service Provider
Direct technical communications with the three gov't Agencies	Long-term advisors
Provide technical Expertise in the three Agencies + Ministry of Finance	Long term-advisors
Assess the need for Short-term experts and develop TOR	Long-term Advisors
Recruitment/Search and Selection of replacement personnel	Service Provider
Oversight of recruitment, particularly long term advisors	Technical Working Group
Oversight of the work of the long-term advisors	Service Provider/Chief of Party
Oversight of the programme activities	Technical Working Group
Approving annual work plan	Project Steering Committee
Technical management and Quarterly monitoring	Technical Working Group made up of Government representatives and DFID
Provision of office space in the three Agencies	Three of the Government Agencies
Financial Reporting, administrative tasks, logistics, etc	Admin/Service provider
Assessing the need and developing Specifications for goods and equipment	Long-term Advisors + Service provider

Procurement of Goods and Equipment	Third Party Agent via DFID
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5. Methodology

- i) The Service Provider will maintain a process of participatory consultation and collaboration with key players and stakeholders. It will work as a facilitator to ensure that ownership of the initiatives remains with the Government of Ethiopia so that knowledge transfer and learning are optimized.
- ii) The Service Provider will need to demonstrate clearly value for money at each stage of the implementation process, indicating through demonstrating that administrative costs are efficient that management process are designed to maximise VfM, and that funds are allocated according to evidence on impact collected through comprehensive evaluation
- iii) The Service Provider will organise all the necessary logistics that would help operationalization of the programme. This may include getting registered for setting up business in-country; recruiting core and support staff; acquiring office space in Addis Ababa and organising other working materials.
- iv) The TAUT Programme will be organised in a team of three sub-teams led and coordinated by an appointed chief of party. The three sub-teams are instituted for the three TAUT components: tax, audit and transparency. The long term core staff of tax, audit and transparency will be housed in ERCA, OFAG and FEACC respectively.

6. Outputs

The following are the major outputs. These outputs may be revised during the first year in the process of work plan development in consultation with GoE agencies and DFID assisted by external assessor as necessary:

- ✓ TAUT Governance Arrangement in place and the programme is fully operational by June 2015
- ✓ Assessment and advice on tax policy and legal reform
- ✓ Tax policy capacity development to GoE
- ✓ Implementation of improved tax payer services
- ✓ Implementation of refined risk based approach in tax system
- ✓ Effective implementation of tax arrears management in ERCA and RRAs
- ✓ Improved data management and verification for ERCA and RRAs
- ✓ Surveys conducted on tax payer satisfaction and compliance
- ✓ Capacity development to ERCA and RRAs staff
- ✓ Capability and skills development on specialist audits (performance, ICT, ..) to OFAG and ORAGs
- ✓ Institutionalised capacity development on audit and oversight functions
- ✓ Improved system of monitoring and reporting on audit performance
- ✓ Improved system of public officials' asset registration, verification and publication
- ✓ Capacity development to FEACC/REACCs staff on evidence handling, prosecution, investigation and other areas important for improving anticorruption practices in Ethiopia
- ✓ Improved system of society engagement in anticorruption practices
- ✓ Improved role of women in tax system, audit and oversight and anticorruption efforts of GoE

7. Reporting, Budget and Coordination

Overall, the Service Provider is accountable to the Governance and Security Team (GST) Leader of DFID Ethiopia. The Service Provider will report to Governance Adviser in DFID Ethiopia for strategic and day to day programme operation. The Service Provider will report to DFID Ethiopia Deputy Programme Manager for financial, procurement and logistical matters.

The programme will be guided and monitored by a steering committee, co-chaired by Head of a lead federal GoE agency (ERCA, OFAG, FEACC possibly in rotation) and an HMG representative, either the Head of DFID Ethiopia or the UK Ambassador. The committee will comprise heads of the federal and regional TAUT implementing agencies of GoE, with participation from the DFID E Governance Team and the Service Provider. The steering committee will meet annually to monitor progress, risks, and agree action to bring about positive change. There will also be a technical committee co-chaired by a representative of a lead federal GoE agency (ERCA, OFAG, FEACC possibly in rotation) and the Governance and Security Team Leader in DFID Ethiopia and comprise representatives from the federal TAUT implementing agencies of GoE, DFID Ethiopia and the Service Provider. The TORs for the steering and technical committees will be developed and agreed by DFID E and GoE in the next month.

Other reporting and coordination include:

Monthly reports: - providing expenditure for the month and revised forecast and procurement plan for the next month. The report will be submitted within 10 working days of the month end. First draft soft copy and later on hard copy upon agreeing.

Quarterly reports: providing an overview of progress against the workplan for the quarter, with expenditure compared against budget with explanation for variances, progress against workplan and logframe milestones. The reports will also include procurement for the rest of the financial year. The first quarter report will include workplan and presentation to the TWG/PSC.

The quarterly report will also review and update the risk matrix and will identify any additional risks and constraints related to the programme. It should also report on how VfM is achieved in the implementation of the programme during the quarter. The report will be submitted within 20 working days of the quarter end.

Annual reports – The annual report will include similar information as the quarterly reports but also workplans, procurement plans and budgets for the coming year, updating logframe with actuals against milestones. The report will be submitted within 30 days of the year end and replace the quarterly report for that quarter.

Annual audit reports will also be submitted after four months from the end of the financial year.

In addition to the above reports, the service provider will produce and make available specific reports upon request from DFID and TWG.

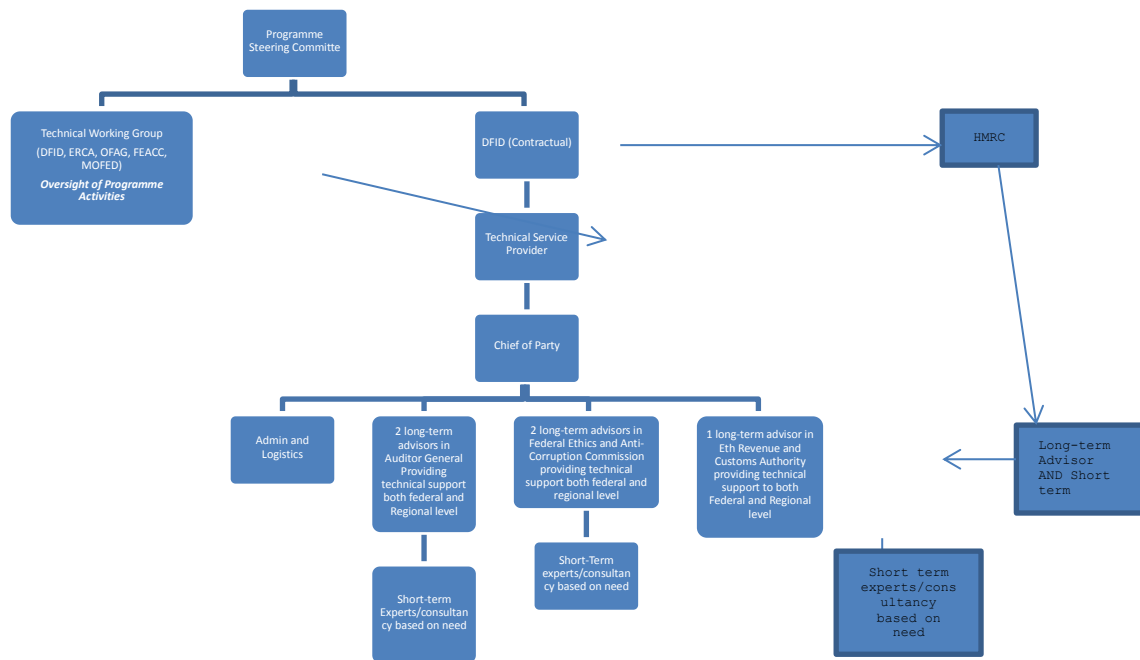
The budget will be divided between the three intervention areas with the following proportion:

- Tax takes 50% of the budget
- Audit and Transparency take 25% of the budget each

15% of the total budget is allocated for purchase of goods mainly IT equipment (hardware and software) based on the need assessment of the three agencies during the implementation.

Implementation is expected to start February 2015.

TAUT Governance Structure



8. Timeframe

TAUT is a five year programme. The Service Provider will be engaged under a DFID contract initially for three years with possibility of extension for two more years subject to satisfactory performance. There will be annual reviews every year. Moreover, at the end of the third year, there will be a break period during which we will be conducting a comprehensive mid-term review by external evaluator which will provide critical inputs to decide on the future of the programme, which will also have significant implication for contract extension with the Service Provider. The outcome of the mid-term evaluation and the programme need and performance assessment will determine the extension of two more years. There will also be a Programme Completion Report (PCR) at the end of the programme implementation. The Service Provider will collect all necessary data and compile draft reports for the annual reviews and programme completion report.

9. Skills and Expertise

The Service Provider should have a proven experience in managing multiple programmes with multiple stakeholders.

Core staffs for this programme are the Chief of Party and Long-Term Technical Advisors in each of the programme areas (Tax, Audit and Transparency). The skills and expertise of each of the core staff should be at least as below but should not be limited to:

Chief of Party

- Strong academic background in public administration or public policy, change management, participatory methods and approaches;
- Strong knowledge and previous experience working on tax, external audit and oversight, and anticorruption reforms/capacity building in developing country environment and managing technical assistance projects;
- Understanding of both developed and developing countries' public sector reform issues;
- Understanding of public sector reform issues in Ethiopian context;
- Working with multi-disciplinary team and stakeholders, and a high degree of credibility evidenced preferably by effectively dealings at ministerial levels;

- Accomplished work in consultancy of this nature;
- Experience in programme management of such nature;

Long-term Technical Advisor (Tax)

- Strong academic background in Tax and public administration or public policy, change management, participatory methods and approaches;
- Strong knowledge and previous experience working on tax in developing country environment and managing technical assistance projects;
- Understanding of both developed and developing countries' public sector reform issues;
- Understanding of public sector reform issues specifically on domestic tax in Ethiopian context;
- High degree of credibility evidenced preferably by effectively dealings at ministerial levels;
- Accomplished work in advisory role of this nature.

Long-term technical advisors (Audit)

- Strong academic background in external Audit, public administration or public policy, change management, participatory methods and approaches;
- Strong knowledge and previous experience working on external audit and oversight reforms in developing country environment and managing technical assistance projects;
- Understanding of both developed and developing countries' public sector reform issues;
- Understanding of the public sector reform specifically on Audit and oversight reform issues in Ethiopian context;
- High degree of credibility evidenced preferably by effectively dealings at ministerial levels;
- Accomplished work in advisory role of this nature.

Long-term Technical Advisors (Transparency/Anti-corruption)

- Strong academic background in Anti-Corruption and public administration or public policy, change management, participatory methods and approaches;
- Strong knowledge and previous expertise working on anti-corruption reforms/capacity building in developing country environment and managing technical assistance projects;
- Understanding of both developed and developing countries' public sector reform issues;
- Understanding of public sector reform specifically on transparency and Anti-Corruption reform issues in Ethiopian context;
- High degree of credibility evidenced preferably by effectively dealings at ministerial levels;
- Accomplished work in advisory role of this nature.

10. Security and Duty of Care

DFID will arrange a security briefing to the Service Provider at the start of the programme. The briefing will be given by the Overseas Security Manager of the British Embassy.
As part of DFID's Duty of Care policy, DFID Ethiopia has assessed the country and project risks (see below) in order to allow the Service provider to take reasonable steps to mitigate those risks.

Programme/Intervention title: Tax Audit and Transparency Programme
Location: Ethiopia
Date of assessment: 13 June 2014
Assessing Official:

Theme	DFID Risk Score
OVERALL RATING	2

FCO travel advice	3
Host nation travel advice	2
Transportation	3
Security	2
Civil unrest	1
Violence/crime	2
Terrorism	3
War	1
Hurricane	1
Earthquake	1
Flood	1
Medical Services	2
Nature of Project/intervention	2

1 Very Low risk	2 Low risk	3 Med risk	4 High risk	5 Very High risk
Low		Medium	High	

10. Background

Back in 2004, the GoE designed a comprehensive public sector capacity building programme (PSCAP) in response to recognition of pervasive institutional weaknesses and capacity deficits across the public sector. Tax, Transparency, Audit and oversight were important elements of the public sector capacity building programme. Parallel to PSCAP, there was a small DFID bilateral programme (Strategic Support for Civil Service Reform-SSCSR), mainly designed to provide complementary and flexible support to specific areas of PSCAP. Reviews of PSCAP and SSCSR have documented remarkable achievements of the programmes around tax, audit and anticorruption practices but also have noted significant level of deficits in the institutional capacity of these agencies.

The tax system is a key concern for private sector investment as reported in several reviews. These reviews indicate that the main policy, regulatory and administrative challenges associated with tax administration are: i) uneven enforcement of rules; ii) lack of clarity of the rules themselves leading to undue discretionary power of enforcement personnel; iii) limitations in accessing the tax complaint system; iv) failure to update rules; v) inefficiencies in the administration; and vi) lack of guidance by the authorities coupled with the severity of penalties.

Ethiopia has audit structures at the federal and regional level. While audit coverage has shown a remarkable improvement particularly at federal level, there remain big gaps in performance audit, IT systems audit, relations between audit institutions and parliament, audit follow up and oversight, reporting on audit performance and measures. Particular constraints include human resource management caused by high turnover of core staff and absence of succession planning. Automation and use of IT is another area of deficit, hindering efficiency and quality of audit activities.

Studies on corruption in Ethiopia give a mixed picture. Public perceptions of corruption are generally high. The 2012 Corruption Perception Survey highlighted that the business sector experiences a lack of transparency and corruption in public procurement, tax collection and the application and interpretation of regulations. A recent World Bank study into corruption within Ethiopia found that corruption varies across sectors in Ethiopia, with lower risks of corruption in basic services like health and education. The GoE is trying to take steps to combat corruption, including introduction of asset disclosure and registration for officials, prosecution of suspected corruption cases, sequestration of properties possessed through corruption and fraud, but its efforts are inhibited by lack of capacity.

TAUT is aligned with the objectives of the Ethiopia's Growth and Transformation Plan and builds on previous donor supported programmes - notably the Public Sector Capacity Building Programme (PSCAP), Democratic Institutions Programme (DIP) and Strategic Support to Civil Service Reform Programme (SSCSR), all of which came to an end in 2013. The achievements of these programmes around tax, audit and transparency initiatives have laid the groundwork for TAUT Programme.

