

Chief Executive Officer of the Revenue Administration of Sri Lanka
TERMS OF REFERENCE

I. Objectives of the Modernization Program of the Revenue Administration (MPRA) Project and the Role of the Revenue Board

1. The fiscal sector of the Government of Sri Lanka (GOSL) is in a fragile state as deficit-to-gross domestic product (GDP) ratios for the past three years have been above 8%. Consequently, the GOSL has embarked on a Fiscal Management Reform Program (FMRP) which intends to improve public resource and expenditure management systems and help ensure the fiscal sector' sustainability and expenditure's outcome orientation in the long run.

2. The Secretary of the Ministry of Finance and Planning (MOFP) observed that a focus on enhancing the effectiveness of revenue administration while continuing to improve the tax policy framework is demanded by the fragile state of the fiscal sector. This is one of the key policy reform priorities introduced by the present administration following the elections of April 2004. The GOSL aims to minimize revenue leakages and substantially increase revenue-to-GDP ratio through the MPRA, which will institutionally strengthen revenue departments.

3. The creation of the Revenue Board (RB) has been an important milestone in an attempt to enhance the effectiveness of revenue administration. The RB has been tasked with the following:

(i) promulgating revenue policies that ensure that investments are guided to where the country has comparative advantage in and that do not undermine the competitiveness of the production sector;

(ii) setting the strategic directions of revenue departments in the context of matching external opportunities with internal strengths;

(iii) assessing the potential vulnerabilities or bottlenecks in the revenue operations and identifying structural reforms to address these constraints;

(iv) improving the governance framework for revenue administration;

(v) providing the leadership in promoting an organizational culture that accords importance to national interests, fairness, integrity, professionalism, meritocracy, enhanced performance, proactiveness, and client-friendliness;

(vi) forging operational integration in the collection of inland revenue, customs duties, and excises as in the case of a coordinated audit of large taxpayers and information sharing to more effectively assess tax evasion risks; and,

(vii) approving appointments to positions above a threshold level.

In relation to the third item, the RB will formulate policies and provide general guidance in the preparation of a code of ethics, improvement of performance management systems and associated incentives, provision of consequences for undesirable behavior of revenue personnel, and formulation of a taxpayer's charter. As a matter of policy, the RB shall ensure

that any organizational restructuring should follow good international practices particularly in developing countries that have been successful in raising the revenue-to-GDP ratios. A revenue advisor under the FMRP will provide advisory services to the RB in the performance of its functions.

II. CEO's Scope of Work

4. The Government is seeking to appoint a Chief Executive Officer (CEO) of the RB of Sri Lanka who will be a long-term consultant and who will be a full member of the RB. Working closely with the Commissioner Generals of the revenue agencies, the CEO is responsible for implementing or translating into reality the strategic directions, tax policies, and general operating principles prescribed by the RB.

5. In general, the CEO shall address the day-to-day revenue administration problems and implement the longer term structural measures in consonance with RB guidelines. In other words, the CEO will provide managerial services in terms of planning, leading, organizing, and controlling revenue departments to enhance revenue collections by following good international practices in revenue administration and complying with RB guidelines. The CEO will specifically be responsible for the following activities:

A. Help Facilitate the Effective Functioning of the Revenue Board

6. In his/her capacity as member of the RB the CEO will:

- (i) assist the RB in preparing its Charter¹;
- (ii) assist the RB in preparing implementation guidelines for its effective functioning , including identifying key operating principles, structure, and frequency of meetings as well as interfacing with the MOFP; and,
- (iii) assist the RB in establishing a system for regular reporting of overall revenue collections with appropriate breakdowns to the RB and the public at large in a manner that is accurate, timely, and decision oriented.

B. Effective Management of the Revenue Departments

7. To effectively manage revenue departments, the CEO will:

- (i) negotiate with CGIR, DGC and DGE on their revenue-to-GDP targets and possibly other outcomes as well as consider the degree of attainment of these targets and the implementation of international good practices in reducing tax evasion in performance assessments;
- (ii) propose to the RB a system for rewarding good performance and for providing consequences for underperformance;
- (iii) supervise the formulation and implementation of the organizational restructuring (to ensure optimally staffed and appropriately structured revenue administration

¹ The Charter will be consistent with the RB objectives as outlined in a Cabinet Policy Paper establishing the creation of the RB.

departments) in a manner that no personnel is adversely affected in the short-run and based on good international practices particularly in developing countries with high revenue-to-GDP ratios;

(iv) work closely with other FRMP experts on revenues, human resource management, training and information technology and identify key constraints impeding effective achievement of targeted outcomes and, whenever appropriate, present these issues for RB guidance; and,

(v) in coordination with Revenue Advisor and IT experts, pursue better operational integration across revenue departments as an underlying theme of MRA particularly in the areas of coordinated audit of tax returns and information sharing to assess tax evasion risks;

(vi) support the automation of the revenue departments through the development of taxpayer-friendly website and core-function-based management information system (MIS) that is linked with the MIS of other agencies including the Board of Investment;

(vii) work closely with RB, CGIR, DGC and DGE and Fiscal Management Reform Program (FMRP) consultants to implement the Modernization Program of the Revenue Administration (MPRA);

(viii) work closely together with CGIR, DGC and DGE to identify key revenue administration issues to be brought to the attention of the RB for timely decision;

(ix) provide verifiable data to the RB on the MRA results that would help assess the degree of achievement of revenue administration actions under FMRP policy matrix.

In relation to item (vii), the detailed task list of the MPRA is presented in Appendix 6 of RRP.

C. Change Management Catalyst

8. In promoting the desired change in organizational culture and changing the mind-set of the public, the CEO will:

(i) consistently communicate to the RB and personnel of revenue departments the importance of FMRP and timely implementation of tax administration reforms;

(ii) coordinate the implementation of measures that help create a reasonable expectation by the public and staff that non-compliance with revenue laws and administrative rules will not be tolerated; and,

(iii) organize a dinner to be hosted by RB where the top 3 corporate taxpayers and top 3 individual taxpayers would be invited and given plaques of appreciation for their contributions to national socioeconomic development.

The last item shall be done once a year and after auditing the tax returns of the involved taxpayers. In the aforesaid dinner, the excellent performing officials and employees of the revenue departments shall also be recognized. Through extensive media coverage, the CEO will boast to the nation the development contribution of top taxpayers and the excellent performance of officials and employees of the revenue departments.

D. Other activities

9. The CEO will be responsible for any other activities to be requested of him/her in the discharge of regular duties as CEO of the RA.

II. The Methodology

10. The approach is to adopt good practices in revenue policy and administration in developing countries that have been successful in raising revenue-to-GDP ratios and minimizing revenue leakages. A focus is to provide a proactive leadership that addresses the day-to-day revenue administration problems, implements the longer term structural measures in consonance with the strategic directions, tax policies, and general operating principles prescribed by the RB, and acts as a catalyst towards a performance-oriented organizational culture. An improved performance management system tied up to rewards for good performance and consequences for underperformance shall also be installed and consistently applied in the longer term to support the transition towards the desired organizational culture. The CEO shall also coordinate the implementation of measures that help create a reasonable expectation by the public and staff that non-compliance with revenue laws and administrative rules will not be tolerated.

11. The CEO shall regularly report to the RB the status of detailed structural reform and revenue administration activities that are critical in attaining the intended sustainable outcomes of the revenue departments. Wherever possible, the CEO will inform ADB of the aforesaid status and raise any issue/s that would require ADB involvement.

III. Deliverables

12. The CEO will prepare the following progress reports to the ADB with due consideration of confidentiality matters that may arise in his capacity as CEO of the RA. These reports should contain verifiable information that would help the RB assess the quality of the CEO's managerial services to the revenue departments in terms of enhanced revenue collections as measured by revenue to GDP ratio as well as of compliance with RB guidelines and good international practices in revenue administration. These reports shall also be printed in five hard copies and soft copy as per given schedule:

13. **Inception Report:** This inception report shall be submitted within 4 weeks after the commencement of service. During the inception phase, the CEO will revalidate the policy objectives; assess key issues and priorities, and capacity-building and operational development needs. At the end of this phase, resource inputs may be adjusted as appropriate within the overall budgetary framework and enable the CEO to better align the terms of reference, activities, and time-bound outputs with the Government and the ADB's expectations and needs.

14. **Quarterly Progress Report:** These are subject to review, monitoring and updating on an on-going basis.

15. **Draft Final Report:** A comprehensive draft final report based on feedback from the Government and ADB would be submitted three months prior to the end of the service.

16. **Final Report:** The final report including modifications in response to the comments of the Government and ADB on the draft final report shall be submitted two weeks prior to the end of the service. The Report shall also be submitted on CD-ROM along with five hard copies.

17. **Occasional Reports:** Besides the above reports, the CEO shall also submit occasional reports at various levels which include policy and/or background papers and other relevant reports which may be requested by GOA and ADB.

IV. Requirements

18. An international consultant will be recruited with relevant experience preferably as a CEO of a revenue administration or as member of senior management in a proven revenue administration.

V. Schedule

19. The assignment will be full time starting in August 2005 and to be completed by December 2007.

VI. Contract

20. A lump-sum contract will form the basis of remuneration.