

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

**I. Objective and Scope of Work**

1. Strengthening of the revenue administration is one of the key policy reform priorities introduced by the incoming administration following the elections of April 2004. The creation of the Revenue Board (RB) was an important element in this process. The RB was tasked with the critical objective of coordinating all revenue agencies that form the revenue administration – Inland Revenue, Customs and Excise – under the chairmanship of the Commissioner General for Inland Revenue with the view to improve the functioning of tax administration and ultimately strengthen revenue collection in Sri Lanka.

2. The Government is seeking to appoint a Chief Executive Officer (CEO) of the revenue administration of Sri Lanka who will be a long-term international consultant responsible for transforming the current revenue agencies into a more integrated and effective modern revenue administration. The CEO - who will be a full member of the RB - will work closely with the Commissioner Generals of the revenue agencies in order to put into practice strategic policy decisions on revenue policy, tax policy, general operating principles and administration matters discussed and agreed to in the RB.

3. A consultant will be engaged to serve as the CEO of the revenue administration who will be responsible for the following activities:

**A. Help Facilitate the Effective Functioning of the Revenue Board**

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

(i) assist the Chairman of the RB in preparing a Charter for the RB and the role and responsibilities of each of the members of the RB;<sup>1</sup>

(ii) assist the Chairman in preparing implementation guidelines for its effective functioning of RB including identifying key operating principles of RB, structure and frequency of meetings;

(iii) assist the Chairman in establishing clear and regular reporting requirements of deliberations of RB meetings including issues pertaining to accountability vis-à-vis Government, authority vis-à-vis revenue agencies and transparency vis-à-vis tax payers and the public at large;

(iv) prepare and submit proposed agenda for RB consideration to address strategic reforms of tax policy and revenue administration matters after consulting the revenue advisor of the Fiscal Management Reform Program (FMRP) (in line with C. below)

(v) present non-technical briefing notes to RB on key tax administration/policy matters with clear recommendations based on a set of alternative means to reach

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

desirable outcomes including those of increasing the ratio-of-revenue-to gross domestic product (GDP) and minimizing revenue leakages.

## **B. Effective Management of the Revenue Agencies**

5. In his/her capacity to ensure effective management of revenue administration, the CEO will:

- (i) cooperate 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 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 FMRP 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) coordinate 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)<sup>2</sup>;
- (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

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<sup>2</sup> For a detailed task list of the MPRA see Appendix 6 of RRP.

### **C. Change Management Catalyst**

6. In his/her capacity of leading the reform process and integration of the revenue agencies, the CEO will:

- (i) inform the RB on the importance of pursuing timely implementation of reforms in tax administration;
- (ii) sensitize rank and file through seminars and other means on the importance of reforms and responsibilities in rendering reforms a success, including how employees can individually benefit from these reform;
- (iii) assist in developing a tax compliance monitoring framework supported by measures to help create a reasonable expectation by the public and staff that non-compliance with revenue laws and administrative rules will not be tolerated and propose effective enforcement measures;
- (iv) prepare a structured program of reform results to the RB that is consistent with MPRA and that supports successful achievement of revenue administration policy actions under FMRP policy matrix;
- (v) develop incentives for high-ranked corporate taxpayers and individual taxpayers for their contribution to national socioeconomic development, and develop external relationship with media and the public to boast the contribution of top taxpayers who fully comply with revenue regulations and excellent performance of officials and employees of the revenue departments;
- (vi) formulate and implement a system of providing rewards to individuals who give information that lead to the disclosure (and revenue increase) of tax underpayment/non-payment by taxable entities.

### **D. Other activities**

7. 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 revenue administration.

## **II. The Methodology**

8. 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.

9. 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**

10. 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 revenue administration. 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:

11. **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.

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

13. **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.

14. **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.

15. **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 the Government and ADB.

### **IV. Requirements**

16. 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**

17. The assignment will be full time starting in September 2005 and to be completed by December 2007 (with possibility of extension). The deadline for submission of applications is on 14 September 2005, Wednesday, 5:00 p.m. Manila time.

### **VI. Contract**

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

## **Appendix**

19. The creation of the Revenue Board has been an important milestone in an attempt to enhance the effectiveness of revenue administration. The Revenue Board 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.

20. In relation to the third item, the Revenue Board 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 Revenue Board 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 Revenue Board in the performance of its functions.