



Term of Reference

To conduct Research

on

Aid to Pro-Poor Domestic Revenue Mobilization; The World Bank's Revenue Mobilization Program for Results in Bangladesh

Purpose

This research seeks to assess whether implementation of the World Bank's Revenue Mobilization Program for Results: Value Added Tax (VAT) Improvement Program Project for Bangladesh by the Bank and the government of the People's Republic of Bangladesh seeks to make the VAT reforms pro-poor and robustly linked to expenditures that are likewise pro-poor and advance women's empowerment. The research is intended to contribute to both global policy debates about the role of increased domestic revenues in development, and also to Oxfam-in-Bangladesh's work on active citizenship and tax justice.

Background to the Research

Oxfam's Aid and Development Finance Issues Team (part of the Even it Up Campaign) is carrying out a series of studies of aid to domestic revenue mobilization (DRM). The team is focusing on this topic now because along with an enhanced role for the private sector in development, international development discourse (e.g., the Addis Ababa Action Agenda) points to increased DRM as a key factor in overcoming the \$2.5 trillion annual finance gap for achieving the Sustainable Development Goals. Oxfam has already published a study of French aid to DRM in Mali, and a draft report on US aid to DRM in Haiti is currently under revision following peer review. The team may also commission a gender analysis of aid to DRM. This research scope of work is for an assessment of the World Bank's support for modernization of Bangladesh's value-added tax (VAT).

In general, the international financial institutions (IFIs) favor VATs as a DRM mechanism. Although such indirect taxes tend to be regressive (especially the case in Bangladesh), they are a cost-effective way to raise revenue and help improve debt sustainability, and are less politically difficult to implement than more progressive forms of taxation, such as individual and corporate income taxes and property taxes. If VATs create a dedicated revenue stream for programs that reduce poverty and gender inequality, they may provide net benefits to low-income people and women that mitigate the regressive nature of the taxation. Moreover, Bangladesh's VAT law seeks to reduce the burden on poor consumers by exempting many of the goods and services on which they spend the bulk of their income, such as food, health care and medicine, education, public transportation, and child care.¹

¹ Towfiqul Islam Khan and Md. Zafar Sadique (2014). Value Added Tax and Supplementary Duty Act 2012: Concerns and Implementation Challenges. Dhaka, Bangladesh: Centre for Policy Dialogue (CPD) (December 10), http://cpd.org.bd/wp-content/uploads/2014/12/VAT-and-SD-Act-2012_10-Dec-2014_Final.pdf.

Both the World Bank and the government of Bangladesh look to the country's VAT as a key source of domestic revenues: more than a third of the revenue target of \$35.73 billion for the 2017-2018 financial year was expected to come from this tax. However, VAT implementation remains controversial, despite support from the World Bank and International Monetary Fund. The Bangladesh parliament repeatedly delayed passage of the VAT law, and since enacting the legislation has repeatedly amended it. Business opposition to VAT reform and modernization remains strong. It includes the important steel industry as well as small and medium-sized enterprises.² A prominent parliamentarian from the opposition Jatiya Party publicly attacked the tax as a "burden on the people."³ There is also concern that the VAT disproportionately burdens women, both as consumers and given their engagement in micro-, small-, and medium-sized enterprises. Due to the controversy, the government has repeatedly postponed implementation of VAT reforms.⁴

Audience

The research is aimed primarily at World Bank staff, government of Bangladesh officials, and civil society organizations in Bangladesh and globally and future donors supporting pro-poor DRM in Bangladesh.

Description of Research Topic

The research will assess (i) the design, priority setting, and implementation of the World Bank's Revenue Mobilization Program for Results: Value Added Tax (VAT) Improvement Program Project for Bangladesh, a six-year, \$60 million project that will run through mid-2020, and (ii) the chances and vision for further pro-poor tax policy reforms and aid for DRM programs in-country. The World Bank's project seeks to improve revenue mobilization and transparency in VAT administration, and has four components: modernization of the VAT office of the National Board of Revenue to enable a high level of voluntary compliance, including on-line VAT taxpayer services; development of an integrated management system; institutional strengthening; and program management, including program coordination and taxpayer communication and education.

A fundamental challenge underlying support for DRM is the assumption that greater revenue will lead to greater spending on programs that reduce poverty, empower women and girls, or build sustainable infrastructure. While there is some evidence that more revenue can lead to an increase in poverty-reducing expenditures,⁵ this is not a given. Mobilizing adequate revenues is vital, but DRM and interventions to support DRM should not neglect the quality and equity of revenue collection. According to Oxfam's internal positions on pro-poor DRM, even administrative and technical interventions must be designed with a pro-poor lens.⁶

² Mirza Hassan and Wilson Prichard (2016). The Political Economy of Domestic Tax Reform in Bangladesh: Political Settlements, Informal Institutions and the Negotiation of Reform. *Journal of Development Studies*, Vol. 52, No. 12, pp. 1704-1721, <http://www.tandfonline.com/doi/full/10.1080/00220388.2016.1153072>.

³ See <https://asia.nikkei.com/Politics-Economy/Economy/Bangladesh-tax-reform-stalls-amid-tough-opposition?page=2>.

⁴ Daily Star, 10 firms provide 40pc of all VAT and SD, July 12, 2017

<http://www.thedailystar.net/business/10-firms-provide-40pc-all-vat-and-sd-1431886>

⁵ USAID. Analysis of the linkage between domestic resource mobilization and social sector spending. July 2016. Available at: http://pdf.usaid.gov/pdf_docs/pbaae640.pdf

⁶ Oxfam internal positions on Pro-poor DRM include "Administrative Reform and Technical Cooperation with Pro-Poor Lens: Strengthening tax administrations and other related institutions (judicial system, audit mechanisms, anti-corruption offices, etc.) aim to do more than build capacity and make efficiency gains, with clear objectives to support governments in making tax structures and policies more gender-equitable and pro-poor"

Donor support for DRM must focus on both sides of fiscal policy—and on the revenue side, the objective should not be simply to collect more, but also to collect better. In fact, collecting better may often precipitate collecting more.

Relevance: Given the low ratio of tax to gross domestic product in Bangladesh, the high share of revenues expected from the VAT, and the persistence of poverty despite rapid economic growth, pro-poor implementation of VAT reform is essential. The \$200 billion-plus Bangladesh economy grew by a record 7.24% in the financial year ending in 2017, but nearly a third of Bangladeshis—over 50 million people—continue to live below the national poverty line.⁷ At the same time, the country remains one of the world’s least-taxed: although tax collection improved to 10.4% of GDP in 2012, up from 8.3% over 2004-2009, the level is still below that of other South Asia countries, including India, Nepal, and Sri Lanka. Corporate income taxes account for a very small share of revenues, due to favorable tax treatment of key sectors such as readymade garments and to widespread evasion.

Existing knowledge base: There is a growing literature and improving database on DRM in developing countries, and there are some studies of how the issues play out in Bangladesh (see appendix). However, there is insufficient knowledge of the links between DRM on the one hand and poverty reduction and gender justice on the other. Moreover, it is unclear to what extent donor projects and programs seek to foster such links, particularly through support for the creation of dedicated revenue streams and strengthening the relationship between citizens and government institutions at all levels. Finally, although political economy considerations are increasingly recognized as barriers to effective implementation of DRM reforms, there is a need to better understand how these influence the initial priority-setting and design of reforms (which could help identify the opportunity costs of DRM reforms not pursued). The research will offer a case study aimed at helping to fill this knowledge gap.

Research Outline

1. Thesis or Working Hypothesis

Oxfam’s hypothesis is that the World Bank is taking a technocratic approach that focuses mainly on enhancing the capacity of the National Board of Revenue and ensuring compliance with the VAT collection, paying less attention to issues of how the government’s VAT implementation advances equity or whether the revenues generated are robustly linked to poverty reduction and advancing gender equality. The decision to focus resources on this project is the result of political economy factors and limited public participation in the priority setting stage; it has less to do with technical considerations.

2. Research Objectives

The research will result in a report on the extent to which World Bank support for VAT reform in Bangladesh leads to implementation by the government that is pro-poor and advances gender equality. The report will offer lessons learned that may be applicable to other donors and other partner countries interested in supporting DRM more effectively and equitably. It will include policy recommendations and suggestions for further research.

3. Research Questions

1	To what extent does the World Bank project support government VAT
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⁷ See <https://www.adb.org/publications/basic-statistics-2017>.

	reforms that are pro-poor and linked to expenditures that are pro-poor and advance women’s empowerment, and what factors determined this intervention as a priority, as compared to other DRM reform areas?
2	What are the views of citizens, consumers, entrepreneurs, vendors, and local civil society organizations on the VAT and taxes more generally, and how do they see these relating to pro-poor public services and women’s empowerment? What is the impact of this projects’ taxpayer education and transparency components?
3	What is the impact of this project’s taxpayer education and transparency components?
4	What is the total tax burden on female consumers and small-scale female entrepreneurs (VAT, market fees, income tax) and how does it compare to the burden on men?
5	Which tax policies and reform areas are neglected (such as property taxation, high-wealth individual compliance programs or governance of tax exemptions)?

4. Conceptual Framework (or Lens)

Oxfam views the functioning development compact between active citizens and effective, accountable governments as the ultimate driver of development progress. As the figure below illustrates, aid cannot create this compact, but, if delivered effectively, it can strengthen it by helping to improve public accountability. Moreover, cultivating a strong citizen-state compact is essential to pro-poor DRM and collecting revenues better.

Building citizen trust in government institutions is a complex and context-specific challenge, but will almost always require more than just transparency. Taxpayers—like shareholders in a company—need to see a return on investment. Accountable delivery of quality public services at national and local levels is an essential element, but this can be tricky when governments face resource and capacity constraints. Donors can (and should) support better service delivery, but they can also play a more catalytic role by supporting initiatives that strengthen the relationship between citizens and government institutions. This can have positive DRM ripple effects on tax administration efficiency, voluntary compliance and even formalization of the informal sector.

The research will assess the World Bank’s Revenue Mobilization Program and government implementation of VAT reform using this framework.

Oxfam Aid Effectiveness Framework



Research Design

1. Research Sites (if project involves original field research)

Khulna, Sylhet, and Dhaka Divisions (tentative); may change sites or add additional sites after further consultation with Oxfam-in-Bangladesh and SUPRO.

2. Research Methods

The research will use mixed methods, including both qualitative (literature review, semi-structured interviews with key informants, focus group discussions) and quantitative (an opinion survey—to be confirmed, if budgetary resources allow).

3. Gender Analysis

Gender analysis is central to the research. As indicated above in the research questions section, the research will examine the extent to which VAT reform efforts integrate women’s empowerment; citizens’ views of the links between the VAT and other taxes on the one hand, and women’s empowerment on the other; and whether there are gender differences in the overall tax burden.

4. Data Collection Activities

	Description
1	Literature review: a. VAT implementation globally b. VAT implementation in Bangladesh c. Aid to pro-poor & gender equitable DRM and VAT
2	Semi-structured key informant interviews—government of Bangladesh officials (in capital and divisions), including officials of the VAT Office, the Tax Office, and the Economic Relations Division of the Ministry of Finance; World Bank and other donor representatives, academic experts, civil society organization leaders, and entrepreneurs, vendors, and consumers, including low-income consumers and women entrepreneurs, vendors, and consumers
3	Focus group discussions with entrepreneurs, vendors, and consumers, including low-income consumers and female entrepreneurs, vendors, and consumers
4	Opinion survey on consumer and vendor views on the VAT and taxes more generally, including views on how taxes relate to pro-poor public services and women’s empowerment (to be confirmed, depending on available budget).

Products, Timeframe,

	OUTPUTS	Date
1.	First draft report	Early September 1, 2018
2.	Second draft report	Mid/End September, 2018
2.	Final report	Mid October 1, 2018

The final payment will be payable when the consultants’ final report has been submitted and when the Research project manager and client have

- a) approved that the report has been satisfactorily completed
- b) confirmed that full research documentation (as described below) has also been provided.

Ethical Concerns and Risks

None.

Drafting, Peer Review and Sign-off Schedule

Stage	Guidance	Date agreed upon by Research Project Manager and Peer Review and Sign-off Coordinator
Peer review of draft SOW complete	<i>Usually 1 week</i>	September-October 2018
Revised SOW submitted to Peer Review and Sign-off Coordinator and Head of Research for sign off	<i>Date to be provided by Research Project Manager - Usually 2-10 days following peer review</i>	
Sign off of SOW complete	<i>Usually 5 days</i>	
1 st draft research submitted to Peer Review and Sign-off Coordinator and Head of Research	<i>Date to be provided by Research Project Manager – At least 1 month for desk research, 3 months for field research per country, and at least 7 days to write draft findings</i>	
Peer review of draft research complete	<i>Recommendation that each peer reviewer (internal and external) receive 2 weeks</i>	
Revised draft submitted to Peer Review and Sign-off Coordinator	<i>Date to be provided by Research Project Manager – Usually 5-15 days following review</i>	
Sign off of research complete	<i>Usually 5-10 days</i>	

Documentation of Research

In order to use the findings in Oxfam publications and campaigns, Oxfam America must be provided with full information and documentation to substantiate those findings.

- The final report(s) must provide footnote or endnote references for all specific facts and statistics used. The report(s) must also include a bibliography of all references mentioned.
- Primary sources must be used wherever possible over secondary sources (for example, the Consultant should provide documentary evidence of a fact or statistic as written in its original report, not as cited by a newspaper)
- If internet sources have been used, a printed out page from the website showing the cited facts and statistics must be submitted. The consultant must ensure that the date on which it was printed out is written on the page.
- If Oxfam discovers any discrepancies with the figures or facts, the consultant will work with Oxfam to resolve the discrepancies.

Expectations

- Consultant will write the report into the OA Research Backgrounder template if provided, or Consultant will write according to the OA Style Guide if stipulated.

- Consultant will work with Oxfam to determine the appropriate research methods.
- Consultant must make assumptions in research design explicit.
- Work must undergo a review process that includes internal Oxfam review and independent external peer review.
- Consultant is expected to make deadlines outlined above, unless the consultant negotiates alternative deadlines with Oxfam, in which case Oxfam will revise the SOW to express the new deadlines.

Contact Information

Marc Cohen, marc.cohen@oxfam.org
 Nathan Coplin, nathan.coplin@oxfam.org
 Saiful Alam, salam@oxfam.org.uk

Appendix 1:

Some Recent Literature on Taxes in Bangladesh and VATs Globally

- Akhand, Zakir (2015). How compliant are the large corporate taxpayers? The Bangladesh experience. eJournal of Tax Research, Vol. 13, No. 2, pp. 581-615; available at: <http://www5.austlii.edu.au/au/journals/eJITaxR/2015/21.pdf>.
- Alam, Mohammad Faridul and Nikhil Chandra Shil (2009). An Assessment of Non-Tax Revenue Sources in Bangladesh. IUP Journal of Public Finance (The), Vol. 7, Nos. 3 and 4 (August and November), pp. 65-82.
- Alam, Mohammad Faridul and Nikhil Chandra Shil (2011). Fiscal Measures in the Bangladesh National Budget of 2009-10: An Appraisal of Income Tax. The IUP Journal of Public Finance, Vol. 9, No. 1 (February), pp. 7-24.
- Chowdhury, Faizul Latif (2006). Corrupt bureaucracy and privatization of tax enforcement in Bangladesh. Dhaka, Bangladesh: Pathak Shamabesh.
- Dhaka Tribune, World Bank for VAT law implementation, slams excise duty on deposit, published June 20, 2017 <http://www.dhakatribune.com/business/economy/2017/06/20/wb-vat-law-excise-duty/>
- equitybd, Cancellation of new VAT law is demanded to protect the poor and SME, April 25, 2015 <http://www.equitybd.net/?p=24490>
- KPMG, Bangladesh – New VAT law, tax holidays, corporate tax rate changes <https://home.kpmg.com/xx/en/home/insights/2017/10/bangladesh-new-vat-law-tax-holidays-corporate-tax-rate-changes.html>
- Moore, Mick, Revenue Reform and Statebuilding in Anglophone Africa, ICTD Working Paper 10, May 2013, <http://www.ictd.ac/publication/2-working-papers/81-revenue-reform-and-statebuilding-in-anglophone-africa>
- Oxfam, “The State of DRM,” Oxfam Briefing Note, January 2018, <https://policy-practice.oxfamamerica.org/publications/the-state-of-drm/>

- Rahman, A. K. M. Matiur and Sabera Yasmin (2008). Estimating Revenue Losses Evolve from Tax Evasions in Bangladesh. Dhaka, Bangladesh: American International University-Bangladesh (AIUB), AIUB Business and Economics Working Paper Series, No 2008-19.
- Saleem, Furqan Ahmad (2017). Bangladesh - Revenue Mobilization Program for Results: VAT Improvement Program (VIP): P129770 - Implementation Status Results Report. Washington, DC: World Bank Group; available at: <http://documents.worldbank.org/curated/en/160361512703738945/Bangladesh-Revenue-Mobilization-Program-for-Results-VAT-Improvement-Program-VIP-P129770-Implementation-Status-Results-Report-Sequence-08>.
- Saleheen, Ahmed Munirus and Noore Alam Siddiquee (2013). Tax Innovation or Excise Duty in Disguise? Deviations and Distortions in Value-Added Tax in Bangladesh. International Journal of Public Administration, Vol. 36, No. 6, pp. 381-396.
- Selim, Sheikh (2008). Optimal Income Tax Policy and Wage Subsidy. Dhaka, Bangladesh: American International University-Bangladesh (AIUB), AIUB Business and Economics Working Paper Series, No 2008-2.
- SUPRO and Oxfam Bangladesh (2015). Fair Tax Monitor. Dhaka, Bangladesh: SUPRO and Oxfam Bangladesh; available at: <https://maketaxfair.net/assets/wbb-publications/1403/BD%20FTM%20final%20text.pdf>.
- Tax Policy Center (Urban Institute and Brookings Institution) (2016). Who would bear the burden of a VAT? <http://www.taxpolicycenter.org/briefing-book/who-would-bear-burden-vat>
- Torgler, Benno (2004). Tax Morale in Asian Countries. Basel, Switzerland: Center for Research in Economics, Management and the Arts (CREMA); Working Paper Series, No. 2004-02 (January).
- Ullah, Md. Anwar and Pongquan Soparth (2011). Revenue Mobilization Performance of Union Parishad in Bangladesh: Is it Convergence of Central-Local Relations? Asian Social Science, Vol. 7, No. 2 (February), pp. 25-40.
- World Bank (2014a). Bangladesh - Revenue Mobilization Program for Results: VAT Improvement Program - technical assessment. Washington, DC: World Bank Group; available at: <http://documents.worldbank.org/curated/en/529901468014449036/Bangladesh-Revenue-Mobilization-Program-for-Results-VAT-Improvement-Program-technical-assessment>.
- World Bank (2014b). Bangladesh - Revenue Mobilization Program for Results: VAT Improvement Program Project (English). Washington, DC: World Bank Group; available at: <http://documents.worldbank.org/curated/en/788651468201531512/Bangladesh-Revenue-Mobilization-Program-for-Results-VAT-Improvement-Program-Project>.
- World Bank (2014c) World Bank Press Release of May 9, 2014: World Bank to Support Modernization of Value Added Tax (VAT) Administration <http://www.worldbank.org/en/news/press-release/2014/05/09/bangladesh-world-bank-to-support-modernization-of-value-added-tax-administration>

The general Terms and Conditions:

- The eligible consultant/agency has to form a research team
- All soft and hard copy of the assignment will be treated as the property of Oxfam
- Consultant/agency shall have no chance to alter the timeline and planning of data collection and submission of first draft and final report; however in any exception case should be inform Oxfam prior in written the cause of delay with proper justifications. Oxfam has all right to accept or reject such application of justification
- The consultant/agency must maintain transparency and standard quality in data collection, processing and reporting

- The consultant shall have the responsibility to rewrite the report, modification of sections until the satisfaction of quality required by Oxfam

Required Competencies

The following skills and competences are required of individual consultant/agency for the assignment:

- Extensive social science research skill;
- Theoretical knowledge and research experience on issues related to TAX & VAT policy, process and implementation at Globally and in Bangladesh;
- Experience in collecting and managing large scale qualitative and quantitative data;
- Strong statistical and graphical analysis, articulation and presentation;
- Strong report writing and presentation skills;
- The research team should have knowledge on gender and the team should be gender sensitive

How to Apply

Interested consultant/agency should provide technical and financial proposal:

- A one-page description of the consultant/agency
- One page statement of the understanding of the assignment
- CV of the consultants/researchers who will undertake the assignment (female interviewers preferred)
- A list of previous research or evaluation experiences relevant to this assignment
- Sample research study relevant to this assignment
- Proposed Methodology
- Work schedule
- Budget (including applicable VAT & TAX), including logistic/administrative costs

Evaluation process:

In response to the invitation, the consultant/agency will have to submit a technical and a financial proposal as per the 'ToR'. The selection committee will evaluate both the technical and financial proposal according to following evaluation criteria.

Criteria	Weight
Technical	80
1. Expertise of the consultant/agency	
Understanding of the ToR	10
Demonstrated knowledge and research experience on TAX & VAT issues	20
2. Methodology	
Appropriateness of methodology	20
Data collection strategy and management	10
Quality assurance	10
3. Management structure and qualifications of key personnel	
Team composition	10
Financial	20
Total	100