Terms of reference (ToR) for the procurement of services below the EU threshold

PUBLIC

Supporting the drafting of new Sales Tax laws for the Republic of Iraq	Project number/ cost centre: 21.2023.6-002.00

0. List of abbreviations

AVB	General Terms and Conditions of Contract for supplying services and work
BMZ	German Federal Ministry for Economic Cooperation and Development
EU	European Union
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
MoF	Ministry of Faineance
GCT	General Commission of Tax
FFM	Support to Public Financial Management and Financial Market
PMO	Prime Minster office
RMC	Reform Management Cell
HCTC	High Committee for Tax Reform
SJC	Supreme Judicial Council
GSC	Government Shoora Council
COC	Chamber of Commerce
ToRs	Terms of Reference
WP	Work Package

1. Context

Project Background

FFM Project operates in a highly fragile context that requires special attention to the framework conditions and interactions of the project with it. In order to ensure the effectiveness of development cooperation and the sustainability of the intervention, there is a need for a thorough analysis and observation of the dynamics, on the basis of which strategic and operational decisions are to be made. This also requires continuous review and adjustments of approaches, internal strategy, and project activities.

Almost two decades after the 2003 war, Iraq remains caught in a fragility trap, facing increasing political instability, growing social unrest, poor economic management, a lack of reforms, and weak institutional capacity. The economy is characterized by a large, dominant public sector and a much smaller, politically connected private sector. Iraq's economy remains highly centralized and heavily dependent on state-owned enterprises (SOEs), which have a complicated and largely opaque impact on the government's finances.

One of the challenges facing the country towards post-conflict reconstruction and development is capacity gaps at institutional and human resource levels. It is a fact that the government has a responsibility towards the citizenry, as the citizenry also has a responsibility towards the government by paying their taxes. However, governments in post-conflict countries such as Iraq must invest enough tax resources in the citizens to enable them to attain their potential to lead the post-conflict reconstruction agenda. In the context of post-conflict reconstruction, the objective of capacity development is to enable the governments to mobilise available resources for economic development and poverty reduction.

Capacity has been defined in many ways to suit the emerging needs of a particular environment. However, OECD/DAC (2006) defines capacity as "the ability of individuals, organisations and societies to make effective and efficient use of resources, in order to achieve their own goals on a sustainable basis. The Dakar Framework for Action (UNESCO, 2000b) and the Paris Declaration on Aid Effectiveness ("Paris Declaration for Aid Effectiveness,'' 2005) also emphasised the significant of capacity development at all levels of government, in the case of Iraq, national, regional, and local government levels, and the civil society. In a country such as Iraq, capacity development interventions over the past decades constitute a large portion of donor Aid brought into the country. Notwithstanding, the institutional and human resource capacities of the country is still despondently weak and rather deteriorating faster. That brings us to this question: are we providing the right capacity or just capacity? The ("Paris Declaration on Aid Effectiveness,"2005) called for a change in approach to capacity development in post-conflict countries from mere technical assistance.

It is now recognised that capacity development should not just focus on individuals but should also consider the capacity of the institutions in which individuals work. Again, OECD-DAC acknowledges the new approach to capacity development in their publication: "Capacity development involves much more than enhancing the knowledge and skills of individuals. It depends crucially on the quality of the organisation in which they work. In turn, the operations of organisation are influenced by the enabling environment – the structures of power and influence and the institutions – in which they are embedded" (OECD, 2006 p. 7).

Situation Analysis The main revenue source of the government of Iraq is from oil, and little attention is paid to investment in developing non-oil revenue sector. The country is one the most oil-dependent countries in the world. Over the years, revenues from the oil sector accounted for about 99% of exports, 85% of the government's budget, and 42% of gross domestic product (GDP). This excessive dependence on oil revenue exposes the country to macroeconomic volatility, while budget rigidities restrict fiscal space and any opportunity for countercyclical policy. While Iraq's economic conditions are gradually improving as international oil markets recover, this recovery is fraught with major risks posed by structural bottlenecks. The country's non-oil revenue system is still very weak, with staff largely untrained, coupled with excessive tax avoidance and low tax compliance. The situation is being exacerbated by fragile political conditions and rampant corruption that continue to trigger unrest across the country.

The Government needs to shift its focus on tax reform, building a transparent modern E-Customs system with adequate infrastructure and well-trained customs officers. This would enhance non-oil tax receipts and enable the government to support development financing, especially in the areas of education, health, and economic infrastructure. The country's non-oil revenue is minimal compared to even recurrent expenditures.

Objective

The German Corporation for International Cooperation (GIZ), Strengthening Public Finances and Financial Markets (FFM) in Iraq is committed to supporting Iraq in strengthening its fiscal and legal frameworks, with a focus on the development of new sales tax laws and a comprehensive review of the current real estate law. GIZ's involvement is crucial to addressing existing gaps in Iraq's legal and tax systems, fostering economic growth, and ensuring sustainable development.'

One of the key objectives of GIZ's FFM Project support is to assist the Iraqi government in drafting an effective sales tax law that can address existing loopholes in the current system, which has been marked by inefficiencies and a lack of enforcement. The most recent update to Iraq's sales tax regulations occurred in 2003, and since then, several loopholes have persisted, particularly in the areas of tax evasion, inconsistent tax rates, and inadequate coverage of various sectors. A modern, comprehensive sales tax law is vital for improving Iraq's revenue collection, promoting transparency, and creating a more predictable business environment. GIZ's expertise will help create a tax system that minimizes evasion, ensures fair taxation, and fosters an environment conducive to both domestic and foreign investments.

Through these efforts, GIZ aims to contribute to Iraq's broader reform agenda, enhancing the stability and predictability of its legal and tax frameworks. By addressing loopholes in both the sales tax and real estate laws, GIZ is helping to create a more conducive environment for economic growth, investment, and job creation, ultimately contributing to Iraq's long-term development goals.

2. Tasks to be performed by the contractor

The contractor is responsible for providing the following services:

The service provider will be responsible for the planning, preparation, and management of FFM project activities related to preparing a draft for new Sales tax laws for the government of Iraq.

To this purpose, the service provider needs to provide a team of experts consisting of:

a. Reginal Tax legislations expert.
b. Local Tax Legislations expert.
c. Economic Analysis expert.

This is to carry out and deliver the below work packages:

Work Package (WP) 1: Inception Mission

The one-month inspection mission is designed to provide a comprehensive evaluation and report on Iraq's current sales tax law. The goal of this inspection is to identify existing gaps, loopholes, inefficiencies, and areas for improvement and develop a framework for reforming these key tax laws.

The inception process will involve the following steps:

- Data Collection and Review:

  A thorough examination of the existing sales tax law (last updated in 2003) will be conducted. This includes gathering all relevant documentation, including legal texts, previous amendments, enforcement practices, and tax collection data. In addition, feedback from key stakeholders—such as tax authorities, legal experts, businesses, and investors—will be gathered to understand the practical challenges and loopholes present in the current laws.

- Stakeholder Interviews and Consultations:

  Meetings with government agencies, ex. MoF -GCT, chamber of commerce, Iraqi customs authority, Iraqi parliament, and supreme judicial council will be organized to assess their perspectives on the current state of the laws. These consultations will focus on identifying specific issues such as tax evasion, inconsistent application of tax rates, lack of clarity in property ownership regulations, and inefficiencies in tax enforcement.

- Gap Analysis and Legal Review:

  A detailed gap analysis should be conducted to identify shortcomings in the legal framework, including outdated provisions, ambiguities in the law, and the impact of any loopholes. This analysis will also assess the alignment of current laws with international best practices and identify areas where reforms are necessary to ensure fairness, transparency, and efficiency.

- Draft Inception Report:

  Based on the findings, a draft inspection report will be created, detailing the issues identified, their impact on the economy and stakeholders, and a set of preliminary recommendations for the new draft.

Work Package (WP) 2: First Draft Submission

This will involve reviewing current tax regulations, identifying areas of improvement or change, and drafting clear and comprehensive language for the proposed law. The draft should include relevant tax rates, exemptions, compliance requirements, and enforcement measures, ensuring it aligns with legal standards and economic objectives. The first draft should be submitted for internal review and feedback

Work Package (WP) 3: Final Draft Submission

This work package includes:

- Thorough Review and Revisions: Incorporate feedback from internal stakeholders (MoF, GCT, HCTR), legal experts, and policymakers. Ensure that the draft aligns with the latest legal and economic considerations.
- Clarity and Precision: Refine the language to eliminate ambiguity and ensure clear, concise, and enforceable provisions.
- Comprehensive Tax Structure: Finalize the details of tax rates, exemptions, and categories of taxable goods and services. Ensure consistency across various sections of the law.
- Compliance and Enforcement Guidelines: Include clear procedures for tax collection, reporting, and audits. Define penalties for non-compliance and mechanisms for enforcement.
- Legal Consistency: Ensure the law complies with broader constitutional and regulatory frameworks and harmonize it with other relevant national or regional laws.
- Formation and Accessibility: The final version should be formatted for easy reference and accessibility by stakeholders, including businesses, tax authorities, and the public.

Milestones/process steps/partial services	Deadline/place/person responsible
Inception Mission	A 2 weeks after the contract conclusion
First Draft Submission	31.08.2025
Final Draft Submission	30.09.2025

Period of assignment: from 15.08.2025 until 30.09.2025

3. Concept

In the tender, the tenderer is required to show *how* the objectives defined in Chapter 2 (Tasks to be performed) are to be achieved, if applicable under consideration of further method-related requirements (technical-methodological concept). In addition, the tenderer must describe the project management system for service provision.

Note: The numbers in parentheses correspond to the lines of the technical assessment grid.

Technical-methodological concept

Strategy (1.1): The tenderer is required to consider the tasks to be performed with reference to the objectives of the services put out to tender (see Chapter 1 Context) (1.1.1). Following this, the tenderer presents and justifies the explicit strategy with which it intends to provide the services for which it is responsible (see Chapter 2 Tasks to be performed) and the strategy for delivering these word packages.

Cooperation (1.2) The tenderer is required to present the actors relevant for the services for which it is responsible and describe the cooperation (1.2.2) with them.

Processes (1.4) The tenderer is required to describe the key **processes** for the services for which it is responsible and create an **operational plan** or schedule (1.4.1) that describes how the services, according to Chapter 2 (Tasks to be performed by the contractor) are to be provided. In particular, the tenderer is required to describe the necessary work steps and, if applicable, take account of the milestones and **contributions** of other actors (partner contributions) in accordance with Chapter 2 (Tasks to be performed) (1.4.2).

Project management of the contractor (1.6) tenderer is required to explain its approach for coordination with the GIZ project. In particular, the project management requirements specified in Chapter 2 (Tasks to be performed by the contractor) must be explained in detail.

The tenderer is required to draw up a **personnel assignment plan (1.6.2)** with explanatory notes that lists all the experts proposed in the tender; the plan includes information on assignment dates (duration and expert days) and locations of the individual members of the team complete with the allocation of work steps as set out in the schedule.

4. Personnel concept

*Note: For a **contract for services**, specifications on the personnel concept must be determined for the terms of reference. The examples provided below are to be adjusted depending on the complexity and scope of the contract.*

*Note: For a **contract for works**, a brief overview of the personnel concept may be required. A team leader/technical main contact and a sufficient number of additional qualified experts should be specified.*

The tenderer is required to provide personnel who are suited to filling the positions described, on the basis of their CVs (see Chapter 7), the range of tasks involved and the required qualifications.

***Note for assessment:** If the qualifications defined in the terms of reference are fully met, 10 points must be awarded. If the qualifications are only partially met, linear grading is required in the technical assessment. If points are deducted, a written explanation must be provided. If the qualifications are 'exceeded', this is irrelevant for the points awarded.*

Wording with 'at least' or 'is expected' is not permitted, as this sets a minimum criterion, thereby creating a mix of selection criteria. If, as an exception, a personal qualification must absolutely be fulfilled, a technical exclusion criterion can be defined. If the tenderer does not meet this criterion, the entire bid is assessed with '0' points. Technical exclusion criteria of this kind must be clearly identified as such in the terms of reference! E. g. language – language skills are absolutely essential – absence of such skills can lead to technical exclusion of the entire bid.

The criteria formulated here are also the basis for the cost estimate and price evaluation (level according to fee schedule) and they influence the compilation of the participant list.

The below specified qualifications represent the requirements to reach the maximum number of points in the technical assessment.

Team leader

Tasks of the team leader

- Overall responsibility for the advisory packages of the contractor (quality and deadlines)
- Coordinating and ensuring communication with GIZ, partners, and others involved in the project
- Personnel management, in particular, identifying the need for short-term assignments within the available budget, as well as planning and steering assignments and supporting local and international short-term experts
- Regular reporting in accordance with deadlines

Qualifications of the team leader

- Education/training (2.1.1): master's degree in Law
- Language (2.1.2): C2-Level of language proficiency in Arabic B2 -Level in English.
- General professional experience (2.1.3): 10 years of professional experience in the management of the legislation process
- Specific professional experience (2.1.4): 10 years in practicing Iraqi Law

Key Expert 1

Tasks of Key Expert 1- Regional Expert

- Propose the drafting of new integrated Tax law to repeal the existing tax laws.
- Identify Jurisdictional challenges between the national and state government and propose a harmonized framework in the new law.
- Daily support of the Ministry of Finance (Federal Iraq) to draft effective regulations to operationalize the tax law. (In-person/physical attendance. However, the timesheet will not be required)
- Facilitate stakeholders' workshop on draft integrated new tax law.
- Support the Ministry of Finance in developing relevant regulations.
- Discussion with the component leader on priority aspects and products to be elaborated.

Qualifications of Key Expert 1

- Education/training (2.2.1): MBA, MSc in Taxation or any relevant areas or related field and should be a member of Bar Association Identification Card (Valid ID).

- Language (2.2.2): C2 -Level of language proficiency in Arabic, B1-Level in English.
- General professional experience (2.2.3): 10 years of professional experience in the in-Law Profession and working as a legal advisor
- Specific professional experience (2.2.4): 10 Years' experience in tax regulations and tax law. Good knowledge of Egyptian tax law and experience in the field of development of tax laws and regulations and providing training and interpretation and application of taxes
- Regional experience (2.2.6):5 years' Experience with MENA region tax law.

Key Expert 2 – National Lawyer

<u>Tasks of Key Expert 2</u>

- Review the existing tax laws and regulations and make recommendations to the Commissioner General of the General Commission of Taxes-Iraq
- Propose the drafting of new integrated Tax law to repeal the existing tax laws.
- Identify jurisdictional challenges between the national and state government and proposed harmonized framework in the new law.
- Daily support of the Ministry of Finance (Federal Iraq) to draft effective regulations to operationalize the tax law. (In-person/physical attendance However, the timesheet will not be required)
- Facilitate stakeholders' workshop on draft integrated new tax law.
- Visit at least three states for consultation on how to incorporate state taxes in the new law.
- Review all other relevant materials relating to non-oil revenue generation in the country and provide advice to the commissioner general.
- Support the Ministry of Finance in developing relevant regulations.
- Discussion with the component leader on priority aspects and products to be elaborated.

<u>Qualifications of Key Expert 2</u>

- Education/training (2.3.1): The Expert must hold one of the following degrees: MBA, MSc in Taxation or any relevant areas or related field and should be a member of Bar Association Identification Card (Valid ID).

- Language (2.3.2): C2 -Level of language proficiency in Arabic, B1-Level in English.

- General professional experience (2.3.3): 10 years of professional experience in the in-Law Profession and working as a legal advisor
- Specific professional experience (2.3.4): 5 years' experience in tax regulations and tax law. Good knowledge of Iraqi tax law in the field of development of tax laws and regulations and providing training and interpretation and application of tax.

Key Expert 3 – National Economic Expert

<u>Tasks of Key Expert 3</u>

- Comprehensive report on the analysis of Iraq's existing sales tax system and economic impact.
  Policy recommendations document for the new sales tax law.
- Draft of key sections of the proposed sales tax law, ensuring economic feasibility and alignment with national goals.

<u>Qualifications of Key Expert 3</u>

- Education/training (2.4.1): MBA in economics or any relevant area or related field.

- Language (2.4.2): C2 -Level of language proficiency in Arabic, B1-Level in English.

- General professional experience (2.4.3): 10 years of professional experience in economics and working as an economic advisor.
- Specific professional experience (2.4.4): 5 years of experience providing deep and comprehensive analysis of the Iraqi economy.

5. Costing requirements

Assignment of personnel and travel expenses

Per diem allowances are reimbursed as a lump sum up to the maximum amounts permissible under tax law for each country as set out in the country table in the circular from the German Federal Ministry of Finance on travel expense remuneration (downloadable from the German Federal Ministry of Finance – tax treatment of travel expenses and allowances for international business travel as of 1 January 20242025 (GERMAN ONLY)).

Accommodation allowances are reimbursed as detailed in the specification of inputs below.

With special justification, additional Accommodation costs up to a reasonable amount can be reimbursed against evidence.

All business travel must be agreed in advance by the officer responsible for the project

Sustainability aspects for travel

GIZ has undertaken an obligation to reduce greenhouse gas emissions (CO_2 emissions) caused by travel. When preparing your tender, please incorporate options for reducing emissions, such as selecting the lowest-emission booking class (economy) and using means of transport, airlines and flight routes with a higher CO_2 efficiency. For short distances, travel by train (second class) or e-mobility should be the preferred option.

CO_2 emissions caused by air travel must be offset. GIZ specifies a budget for this, through which the carbon offsets can be settled against evidence.

There are many different providers in the market for emissions certificates, and they have different climate impact ambitions. The Development and Climate Alliance (German only) has published a list of standards (German only). GIZ recommends using the standards specified there.

Specification of inputs

Fee days	Number of experts	Number of days per expert	Total	Comments
Team leader	1	40	40	As per Section2 WP(1,2,3,4)
Regional Expert	1	40	40	As per Section2 WP(1,2,3,4)
National Expert	1	40	40	As per Section2 WP(1,2,3,4)

Economical Expert	1	40	40	As per Section2 WP(1,2,3,4)
Other costs	1			The budget contains the following costs: Stationery (High-quality printing documents)
Travel expenses	**Quantity**	**Number per expert**	**Total**	**Comments**
Per-diem allowance in the country of assignment *If an on-site assignment takes place over the weekend, per diem allowances for weekends can be reimbursed between the fee days.*	40	1	40	Regional Expert Only Breakfast, Lunch, and Business Dinner with stockholders and counterparties,
Overnight allowance in the country of assignment *If an on-site assignment takes place over the weekend, overnight allowances for weekends can be reimbursed between the fee days*	40	1	40	Regional Expert Only.
Transport	**Quantity**	**Number per expert**	**Total**	**Comments**
Regional flights to Iraq as round-trip (If Needed)	4	1	4	4 round trips (including Visa Cost)
CO_2 compensation for air travel *Link to working aid and table for determining the budget and Guidance for GIZ service providers on avoiding, reducing and offsetting GHG emissions on setting the budget.*				A fixed budget of EUR is earmarked for settling carbon offsets against evidence.
Travel expenses (train, car) • •	5000 KM			100 trips: From the consultant base to GIZ, MoF, GCT, ICA, PMO, other doctorates, and back to base (5000 km)
Other costs	**Number**	**Price**	**Total**	**Comments**

Flexible remuneration	1	5000000 IQD	5000000 IQD	A budget of 5000000 IQD is foreseen for flexible remuneration. Use of the flexible remuneration item requires prior written approval from GIZ.

6. Requirements on the format of the tender

The structure of the tender must correspond to the structure of the ToR. In particular, the detailed structure of the concept (Chapter 3) should be organized in accordance with the positively weighted criteria in the assessment grid (not with zero). The tender must be legible (font size 11 or larger) and clearly formulated. It must be drawn up in English (language).

The complete tender must not exceed 7 pages (excluding CVs). If one of the maximum page lengths is exceeded, the content appearing after the cut-off point will not be included in the assessment. External content (e.g. links to websites) will also not be considered.

The CVs of the personnel proposed in accordance with Chapter 4 of the ToRs must be submitted using the format specified in the terms and conditions for application. The CVs shall not exceed 4 pages each. They must clearly show the position and job the proposed person held in the reference project and for how long. The CVs can also be submitted in English.

Please calculate your financial tender based exactly on the parameters specified in Chapter 5 Quantitative requirements. The contractor is not contractually entitled to use up the days, trips, workshops or budgets in full. The number of days, trips and workshops and the budgets will be contractually agreed as maximum limits. The specifications for pricing are defined in the price schedule.