

Public Finance Resource Centre

Terms of Reference: ICED PFM

Intervention title:	Iraq Catalytic Economic Diversification Public Financial Management Technical Assistance Project (ICED PFM)
Country:	Iraq
FCDO client (i.e. relevant post):	British Embassy, Baghdad
FCDO point of contact:	Warsan Abdi and Ruth Coverdale
Beneficiary:	Iraq public finance institutions, Baghdad
Expected end date:	March 2025 (extendable to March 2026)
Budget ceiling:	£383,000 (for the initial contract term)
Funding source:	British Embassy Baghdad
Risk rating:	Major

Definitions

Expression or acronym	Definition
BEB	British Embassy Baghdad
GOI	Government of Iraq
KRG	Kurdistan Regional Government
Supplier	The organization or entity that is delivering the Services of these Terms of Reference under the terms of the contract
ICED PFM	Iraq Catalytic Economic Diversification Public Financial Management Programme
IECG	Iraq Economic Contact Group
TA	Technical Assistance
CSSF	Conflict Stability and Security Fund
TAFFI	Technical Assistance Facility Fund for Iraq
GCT	Iraq's General Commission of Taxes
SEZ's	Special Economic Zones
IFD	Iraq Fund for Development
CBI	Central Bank of Iraq
COI	Iraq's Council of Representatives
PMO	Office of the Iraqi Prime Minister
PAI	Political Access and Influence
ITAS	Integrated Tax Administration System
HMRC	His Majesty's Revenue and Customs
COM	KRG's Council of Ministers
MFU	Macro Fiscal Unit
DMU	Debt Management Unit

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1. Introduction

The Iraq Catalytic Economic Diversification (ICED) Programme is seeking to stimulate economic development and diversification in Iraq, focusing on supporting development of a thriving private sector and removing barriers to entrepreneurship. ICED is designed to support both the Government of Iraq (GoI) and the Kurdistan Regional Government (KRG) as follows:

- At a macro level, a technical assistance project which will support the Government of Iraq's economic reform initiatives, identifying areas where support is needed, proposing solutions and delivering the required support for their implementation using a mix of embedded advisers, technical solutions, training, and assessments. It will focus on establishing effective public financial management (PFM) to lay the groundwork for wider private and financial sector reforms;
- At a meso level, support directly to the financial sector, through multilaterals, to increase access to credit for businesses and deepen the financial sector; and
- At a micro level directly to support small and medium enterprises (SMEs), through an SME facility, providing mindset training, investment coordination and direct capital (investment and cash transfer).

These terms of reference relate solely to the first of these areas (the macro-level component), hereon referred to as 'the Iraq Catalytic Economic Diversification Public Financial Management Project' ('ICED PFM') or 'the Intervention', which will be delivered through the Public Finance Resource Centre (PFRC). Adam Smith International (ASI) is the Management Agent (MA) for PFRC. The MA will design and run a procurement process for the Intervention and will subcontract the successful supplier.

ICED PFM will provide technical assistance to support reforms related to revenue mobilisation and PFM. For the initial contract period (to March 2025) various technical assistance priorities have already been identified. Priorities for work that would take place during a potential contract extension period (which would require sign off by the PFRC Decision Making Group), from April 2025 to March 2026, would be determined at a later date. The project will deploy a mixture of local, regional and international experts to provide both short-term and longer-term support to relevant GoI entities.

ICED PFM is expected to deliver support through a range of modalities, including:

- Embedded advisory support, with a focus on capacity building (e.g. through on-the-job training provision and developing long-term coaching and mentoring relationships) and/or implementation of technically complex solutions;
- Short-term in-person missions, for example in relation to conducting capability assessments or the identification and development of solutions to priority challenges facing counterpart institutions; and
- The design and implementation of training plans and/or courses.

It should focus on areas where there is appetite for reform and where GoI is already seeing impact and should retain the flexibility to adapt to an uncertain operating context and to seize windows of opportunity to push forward reforms that are expected to contribute to the project's outcome level objectives.

The terms of reference were developed jointly by the PFRC MA, the British Embassy Baghdad and the FCDO's central Public Finance and Tax Department (PFTD). They incorporate lessons from delivery of the first phase of the Technical Assistance Facility for Iraq (TAFFI) and from the FCDO's use of flexible technical assistance facilities in other volatile operating contexts to mitigate delivery risks and maximise impact.

2. Background

Iraq's economy relies heavily on oil exports which, in 2022, constituted an estimated 55% of Iraq's GDP, 95% of Government revenue, and 94% of total exports. Other structural issues include an underdeveloped private sector, political instability and corruption. Reforms to diversify Iraq's economy are necessary to ensure long-term stability.

Economic instability, combined with climate vulnerability and a fast-growing population, will exacerbate female and youth unemployment (currently at around 28.3% and 35% respectively), cost of living pressures

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and the perception of public sector inefficiency and corruption, all of which increase the risk of protests, political instability and conflict between groups. Reforms to tackle these issues and promote greater private sector development are now required. The GoI under Prime Minister Sudani has shown an appetite for economic reforms.

Iraq's economy is primarily cash-based and it can be difficult to access banking services, particularly digital banking. The Central Bank operates a fixed exchange rate between the Iraqi dinar (IQD) and the US dollar (USD) but a 'parallel' market (also known as a 'grey market') exchange rate is in operation. Availability of dollars within Iraq fell in 2023 following implementation of tougher anti-money laundering and countering the financing of terrorism (AML/CFT) measures by US banks, amid US concerns that Iran is using Iraq to circumvent US sanctions, causing fluctuations in the parallel exchange rate. The Iraqi government is taking steps to improve their control of the exchange rate, for example, with a ban introduced in January 2024 on transactions in dollars.

Improved economic management and governance – including, critically, systems for raising public sector revenue and then allocating and spending it effectively – are needed to reduce barriers to private enterprise, create private sector jobs and attract inward investment.

Effective public financial management is an existential issue for Iraq, with a fast-growing population, political instability and a lack of fiscal sustainability. This is unsustainable economically, with growing pressures on inadequate public services. Iraq needs to diversify its economy in the face of forecasted decreasing global oil revenues, and while the Government has revenue to pay for technical advisory services, they lack the expertise to understand what support they need and how to procure it. Vested interests and complicated relationships mean private companies are unlikely to be successful in Iraq without the support of a well-connected supporter or Embassy.

The UK's approach to providing support to the GoI is based on learning from previous experience gained over a number of years. Large, inflexible programmes struggle in Iraq due to volatility arising from frequent changes in Government and from the security situation. Iraq is a middle-income country that can finance its own service provision, but it requires targeted technical assistance in areas where there is genuine political support for progress.

In 2021, the UK and Iraq signed a Strategic Partnership which covered cooperation in economy, education, culture, science, law enforcement, human rights, military and security. The second UK-Iraq Strategic Dialogue, held in July 2023, reaffirmed the UK's ambition to work together with the GoI for shared national, regional and global interests. This work sits alongside other policies such as Iraq Vision 2030, Iraq's International Humanitarian Response Plan, GoI's National Family Planning Strategy, Iraq's Women, Peace, and Security National Action Plan (WPS NAP) (2021), Iraq's COP28 Nationally Determined Contributions (NDCs) and progress made on Iraq's National Climate Conference recommendations.

The Iraqi Government under Prime Minister Sudani has set economic reforms, including public financial management reform, as one of his Government's priorities. They have made progress in some areas, such as holding a Tax Reform Conference in December 2023, but there is a general lack of expertise within Government to help set a clear strategy and deliver objectives.

3. Objectives

ICED PFM will contribute primarily to the ICED programme's Outcome 5: Improved economic governance and public financial management.

The theory of change is set out in the [ICED business case](#), this in turn is expected to contribute at impact level to increasing the sustainability and effectiveness of Iraq's economic structures, and through this to contribute to the UK's ultimate objective of supporting the development of a stable, strong and resilient Iraqi economy and a strengthened, independent and accountable Iraqi state.

4. Delivery location

The relevant FCDO Programme Team for the project is in the British Embassy Baghdad.

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The successful Supplier will be expected already to have, or be willing to have, key staff deployed in Iraq as well as a good network of contacts in place to ensure contextual awareness, sensitivity and the ability to deliver requirements responsively. The Supplier should clearly articulate which positions and functions will be based in-country.

The expectation is that the majority of assignments will be delivered in Baghdad and Erbil, subject to security. However, some assignments may be delivered remotely, and/or take place in a third country. Given the fluctuating levels of uncertainty around the operating context in Iraq, the Supplier should be ready to utilise a range of different technical assistance and capacity building delivery modalities.

5. Conformity to the scope of PFRC

All support provided through the project must fit within the technical scope of PFRC, which means that it must relate to PFM and revenue reform. Recommendations should not be made to government that contradict HMG policy position, and clarification should be sought if unknown, for example caution must be exercised when approaching special economic zones. In addition it may not involve:

- Providing direct funding to civil society organisations;
- Providing grant funding to any organisation;
- Funding capital spending;
- Providing debt restructuring/renegotiation support to a government in debt distress;
- Providing programme-funded staff to work for FCDO Posts;
- Funding visits by foreign officials to the UK; and
- Funding visits by foreign officials to third countries for training.

For the avoidance of doubt, nothing in these terms of reference should be read as implying that the restrictions on scope set out in this section do not apply. Should any other text in these terms of reference appear to contradict what is written in this section, the restrictions of this section take priority.

6. Delivery principles

The context in which the GoI currently operates requires careful design for the ICED intervention. It should enshrine a number of key principles including:

- **Ensure local ownership.** All technical assistance and capacity building conducted under ICED should be based on a clear request for support from a relevant senior-level GoI official (likely at Director or Director-General level). Engagement by the ICED PFM team at a political (i.e. ministerial) level is also expected to be required to ensure that technical reforms have the political support needed for successful and sustainable implementation.
- **Focus on the outcome-level.** Flexibility will be essential to enable the programme to remain effective in an uncertain operating context. The project will be expected to adapt as appropriate at the activity level in order to maximise value for money and the effectiveness of the project's contribution to broader outcome-level objectives. It will need to be able to effectively respond to political and social events in Iraq, such as elections and possible changes in government. We anticipate that the balance between different workstreams will shift over time, and that new workstreams may be initiated as windows of opportunity open up whilst other workstreams may be terminated if they fail to achieve traction or in light of contextual changes and evidence on what works.
- **Think politically.** The political economy context in which ICED PFM will operate will be complex and challenging. It will be essential that the project thinks politically and uses PEA to inform its overall approach and day-to-day decision making.
- **Focus on context-appropriate, politically feasible solutions to specific, locally-defined problems.** The GoI faces huge challenges, issues and risks that relate to its PFM and revenue systems. The project should enshrine a commitment to helping the GoI develop 'best-fit' solutions to specific, locally-defined performance problems. The TA will be expected to offer expert advice that is appropriate for the context and GoI capacity.

- **Build sustainable capacity and avoid capacity substitution.** The team should prioritise building sustainable capacity, notably by providing the kind of long-term coaching, mentoring and informal training required to enable counterparts to be able to operate systems developed with the help of external consultants. Where feasible and appropriate, local experts should be utilized to further embed sustainable capacity. The team should work to minimize the risk that advisors end up spending a high proportion of their time conducting routine operational tasks that should be conducted by Gol employees. However, realism is required regarding the fact that capacity substituting activities may sometimes be required for valid, pragmatic reasons: where this is the case the team should conduct regular reviews to identify opportunities to put things on a more sustainable footing.
- **Coordinate with other programmes supporting the Gol.** We recognise that this project will form one part of a wider portfolio of UK support to economic reform initiatives in Iraq falling under the ICED programme. Likewise, other donors are involved in supporting PFM and revenue reform and so emphasis should be placed on the importance of coordination with other relevant programmes. The Supplier is expected to be proactive in coordinating with other relevant programmes to avoid duplication of effort and maximise synergies.
- **Ensure delivery resilience.** The operating context in Iraq is such that there is a risk that the ability of ICED to deliver in the manner envisaged will be disrupted at some point in the contract period. The Supplier should anticipate the potential for disruption, for example challenges deploying international staff to Iraq due to security issues or significant shifts in the priorities or structure of the Government. The Supplier should ensure that its approach to delivery is as resilient as possible to such changes, and should conduct contingency planning where appropriate.

7. Contract management

The Gol and KRG will be the primary beneficiaries of the ICED PFM contract.

The programme forms part of the ICED programme and is funded by BEB Bilateral ODA. The Intervention will be overseen by an SRO based within the BEB Programme Team, with additional advice and support provided by the FCDO's Regional PFM and Revenue Adviser.

The FCDO's Public Finance and Tax Department (PFTD) has overall responsibility for the PFRC programme and is responsible for overseeing the work of the MA. The Supplier will be contracted by the MA to deliver the Intervention in accordance with this TOR. The MA will be responsible for overseeing the performance of the Supplier, ensuring that it delivers in accordance with the contract.

The Supplier will work closely with the BEB Programme Team and MA throughout the assignment. At a minimum, monthly meetings will be held to facilitate reflection, coordination, consultation and direction.

The MA will play a role in the verification, quality assurance, monitoring and evaluation of the Supplier's work. The MA will review key documents, provide expert advice to the BEB Programme Team on the Intervention (on demand), provide critical challenge to the Supplier, and make suggestions on design and delivery approaches where appropriate.

It is anticipated that a Steering Committee will be established for the ICED programme to provide a forum for counterpart involvement in programme level oversight and decision making. It is expected to meet on a quarterly basis and to include representation from the BEB, Gol, KRG, the Supplier and the MA.

The Supplier will be required to establish robust quality assurance processes to ensure the quality and effectiveness of the services delivered.

Supplier performance shall be measured against delivery of the requirements set out in these ToRs and against Key Performance Indicators (KPIs) (set out as draft in Annex 1). Periodic Supplier Review Meetings will take place to review the Supplier's performance (captured by the Supplier in the Performance Monitoring Reports) under the contract. The frequency and terms of reference of meetings will be agreed by all parties during the inception phase. The Supplier will submit monthly (Tier 1 KPIs) and quarterly (Tier 2 KPIs) Performance Monitoring Reports for MA approval.

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Where the Supplier fails to meet the required standards in delivering the contract, the MA will be empowered to take appropriate and proportionate performance management measures up to and including suspension or termination of the Supplier's contract.

The MA reserves the right to terminate the Supplier's contract if:

- The Supplier's performance is not deemed satisfactory;
- Instructed by the FCDO that the intervention is not in line with current HMG objectives; or
- The funds available are no longer sufficient to continue financing the intervention.

The initial term of the contract will expire on 31st March 2025 (i.e. the end of financial year 2024/5). Dependent on demand for support from the Gol and KRG, performance of the Intervention, BEB priorities, approval from the PFRC decision making group (DMG) and budget availability, a contract extension may be agreed covering the twelve months of FY 2025/26. In such circumstances, the Supplier will be invited to prepare a workplan and budget covering the period from 1st April 2025 to 31st March 2026.

8. Inception phase requirements

ICED PFM will begin with a one-month inception phase. The inception phase will require the presence in-country of the Supplier's core team and will commence immediately following completion of the procurement process and subject to final agreement on contracts.

The key inception phase output will be a workplan and budget for the period to 31st March 2025.

The key minimum outputs from the inception phase include the following:

Area	Supplier responsibility	MA responsibility	BEB responsibility	Deadline(s)
Approach paper	Produce a concise Approach Paper that will: (1) detail the Delivery Strategy the Supplier will adopt in order to achieve ICED objectives; (2) set out the Supplier's approach to achieving GESI goals; (3) conduct stakeholder mapping, including relevant political economy analysis; (4) set out how the Supplier will keep stakeholder mapping and political economy analysis up to date throughout delivery; (4) and (5) confirm TA priorities through to March 2025.	(1) Provide written guidance in advance to inform the Supplier's thinking on GESI; and (2) review and comment on the draft Approach Paper.	Final approval of the Approach Paper.	Submitted as draft: end of Week 4.
Work plan, budget and milestone payment schedule	Produce a detailed work plan, budget and milestone payment schedule for the period to the end of FY2024/5.	(1) Provide written guidance in advance to inform the Supplier's work on the milestone and output-based payment schedule proposal milestone; and (2) initial approval of the proposal to be submitted to BEB for final approval.	Final approval.	Submitted as draft: end of Week 6.

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Area	Supplier responsibility	MA responsibility	BEB responsibility	Deadline(s)
MERL	Provide inputs to the ICED PFM MERL Plan produced by the MA.	Produce the MERL Plan and Results Framework for ICED PFM.	Final approval.	Submitted as draft: end of Week 6.
Risk management	Produce ICED PFM risk register.	Review and comment.	Review and comment.	Draft submitted: end of Week 4.

9. Implementation phase requirements

The implementation phase will last from the end of the inception phase until one-month prior to the expected end of the Supplier's contract (including any extension period).

Four workstreams have been identified for FY2024/5, and – as set out above - a workplan based around these workstreams will be produced during inception. If potential new areas for TA are identified during this period, and then during the potential contract extension period in FY2025/6, the 'Technical Assistance Venture' (TAV) approval process set out in Annex 2 will be utilized.

During the implementation phase, the Supplier will deliver a number of core functions for ICED PFM (activities that need to be delivered throughout the duration of the contract). The core functions of the Supplier will include:

- Core project management and financial management functions required to enable the Intervention to operate as required and in a manner that ensures Value for Money (VfM);
- Regular engagement with both the BEB Programme Team and the PFRC Management Agent;
- Developing and regularly updating the ICED PFM Political Economy and Conflict Analysis in order to ensure that delivery of the Intervention is politically aware and contextually appropriate;
- Co-development of an overarching strategic framework governing ICED PFM's use; and
- Adaptive management functions (e.g. identifying and taking appropriate action where there is a need to terminate existing workstreams or to start up new ones to take advantage of windows of opportunity for impactful TA)

In addition to the above, the Supplier will provide TA and capacity building by contracting, mobilizing and managing experts to deliver TA.

Area	Supplier responsibility	MA responsibility	BEB Programme Team responsibility	Deadline(s)
TA and capacity building	Delivery of TA.	(1) Review and comment on key technical products; and (2) initial approval of technical deliverable payment milestones.	Final approval.	Ongoing
Reporting	Submission of quarterly progress reports, including stakeholder mapping with accompanying political economy analysis.	Review and initial approval of progress reports.	Final approval of progress reports.	Ongoing
ICED PFM governance	Engagement with the BEB Programme Team and MA Contract Management Team to enable effective oversight and strategic	(1) Participation in progress meetings; (2) review and initial approval of regular narrative reports;	(1) Participation in progress meetings; (2) final approval of regular narrative reports; and (3) leadership of programme governance	Ongoing

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Area	Supplier responsibility	MA responsibility	BEB Programme Team responsibility	Deadline(s)
	decision making on ICED PFM, including attending regular progress meetings and fulfilling reporting requirements.	and (3) participation in programme governance bodies (e.g. Steering Committee meetings) as agreed with the BEB Programme Team.	bodies (e.g. Steering Committee meetings).	
Stakeholder management	Day-to-day management of relationships with key programme counterparts.	NA	Ownership of the relationship with the most senior priority stakeholders (e.g. ministers); engagement with other stakeholders as appropriate.	Ongoing
Adaptive management	(1) Engagement with counterparts around requests for support; (2) assessments against the screening criteria for new TAVs (see Annex 2); and (3) develop costed proposals for new TAVs (where relevant).	Review and comment on proposals.	Final approval.	Ongoing
MERL	Produce progress reports; cooperation with the activities of the MA's MERL Team.	Monitoring, evaluation and learning activity in line with the programme's MERL plan.	(1) Final approval of MERL reports; and (2) participation in annual review activities.	Ongoing
Exit Plan	Produce an Exit Plan for the programme.	Review and initial approval of the Exit Plan.	Final approval of the Exit Plan.	End of implementation phase.

10. FY2024/25 workstreams

The BEB programme team has identified the parts of government with both the need and the capacity to absorb advice. This includes the Iraq Fund for Development (IFD), MoF, the respective authorities for Tax (GCT) and Customs (GAC), the CBI, the Financial Intelligence Unit (FIU), the Prime Minister's Office (PMO), other departments and authorities sitting within the MoF, and the KRG.

The BEB programme team has also identified several workstreams where ICED PFM is likely to provide technical assistance (set out in Table 1, below). These should not be treated as an exhaustive description of the areas of work that might be conducted by ICED PFM and are 'indicative' at this stage, since the inception phase will be used to produce a detailed workplan for this financial year. However, given the truncated window for delivery available this financial year, bidders will need to demonstrate in their proposals their ability rapidly to mobilise teams capable of effectively delivering TAVs within these areas.

It is not anticipated that the implementing partner will accomplish all the workstream outcomes outlined below. Instead, during the inception phase, the implementing partner will develop a workplan in consultation with Post that focuses on a narrower range of activities and objectives, in line with the scope of this intervention. Iraq is a dynamic and complex operating environment and therefore whilst effort has been made to define the intervention areas, there is a risk that the context may evolve and that minor adjustments will therefore be required.

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Table 1: indicative areas for ICED PFM technical assistance

Issue	1. Support the start-up of the Iraq Fund for Development	2. Strengthen the Kurdistan Regional Government's fiscal management	3. Improve Revenue Administration	4. Strengthen the Central Bank's role in Iraq's financial system	5. Strengthen the role of the Prime Minister's Office and Ministry of Finance in Public Financial Management
Background	<p>The Government of Iraq is setting up its first strategic investment fund worth 1 trillion Iraqi dinars (~\$0.8bn USD). The Iraq Fund for Development (IFD) is intended to consist of three types of project: those with a social return, cost neutral projects, and profitable projects (e.g. environmental, banking).</p>	<p>The Kurdistan Regional Government (KRG) has potential to improve fiscal management, e.g. improving non-oil revenue, greater stability/certainty of income streams.</p>	<p>Iraq has one of the lowest tax to GDP ratios worldwide. The PM wants to reform tax collection, and the General Commission of Tax (GCT) and General Authority of Customs (GAC) have change agendas, but various challenges are obstructing modernisation of the Iraqi revenue systems.</p>	<p>The Central Bank of Iraq (CBI) faces significant challenges, including an almost empty treasury, fragmented financial accounts, and a lack of a Treasury Single Account (TSA). This fragmentation hampers efficient cash management and budget monitoring, leading to financial autonomy for ministries and State-Owned Enterprises (SOEs), complicating crisis response and reform efforts. It has requested technical assistance in this area. Iraq's Financial Intelligence Unit (FIU), sits within the CBI and collaborates with GCT and GAC to combat financial crimes and prevent revenue leakage.</p>	<p>The Prime Minister (PM) and Prime Minister's Office (PMO) in Iraq struggles with Public Financial Management due to a fragmented financial system. This fragmentation hampers cash management and budget oversight. Ministries and State-Owned Enterprises' financial autonomy weakens centralised control, complicating the implementation of effective fiscal policies and economic stability. The complementarity of the intervention areas 1-4 will collectively support BEB to build Political Access and Influence with PMO and Ministry of Finance which will inform the specifics of this intervention.</p>

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Past Support	The UK has provided support under the CSSF's TAFFI programme (FY23/24), specifically on ensuring the Fund is set up with strong governance and compliance processes which comply with international standards. This is essential to ensure funds are not diverted or misspent.	The UK has provided support under the CSSF's TAFFI programme (FY23/24), specifically on helping KRG develop a fiscal strategy. But the KRG's fiscal position is entirely dependent on its relationship with and goodwill from the Government of Iraq based in Baghdad.	The UK has provided support under the CSSF's TAFFI programme (FY23/24), specifically to GCT on (1) supporting the World Bank's Tax Administration Diagnostic Assessment Tool (TADAT), (2) the redesign of the organisational structure and the business processes of three core departments of the GCT: the Large Taxpayers, Corporate Tax, and Direct Deduction Departments; and finally (3) the development of specifications for an Integrated Tax Administration System (ITAS).	The UK has not provided any direct support in this area to date, although the Central Bank of Iraq is receiving support from other donors (GIZ, IMF, and the World Bank).	The UK has supported Iraq through the CSSF's TAFFI programme (FY 23/24), focusing on collaboration with the Reform Management Cell/Economic Policy Unit within the PMO. This assistance improved the PMO's access to analysis of fiscal data released by Iraq's MoF. The UK has not directly supported the MoF to date but has provided TA to Rafidain Bank to adhere to international banking standards.

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Initial assessment of the need	<p>There is a trade-off between political pressure to deliver projects and tangible outcomes, vs. setting up the Fund effectively with the right governance and compliance processes that will ensure success in the long-term.</p> <p>Also, although the Fund has an operational budget, this has not yet been released and so the Fund has limited capacity (though this should be improved by the time the project is live).</p>	UK support to date has proposed a series of next steps to be taken forwards with the KRG.	<p>The GCT and GAC in Iraq faces significant challenges, including poor infrastructure, manual operations without an IT system, high staff turnover, and political instability. Limited progress in GCT has been made in addressing issues highlighted in the TADAT assessment. While steps towards a taxpayer self-assessment regime have started, a simplified administrative assessment system still exists. More progress has been made at GAC but high-level issues persist. Multiple donors support tax and customs reform, and improved coordination is needed.</p>	<p>There is demand for support in conducting a debt management capability assessment and L&D workplan.</p> <p>CBI staff are currently assessed to lack sufficient capacity on digital banking and regulating State-Owned Banks (SoBs).</p>	<p>The Prime Minister has an ambitious reform agenda creating a window before elections in Autumn 2025 when there is potential for Iraq to deliver improvements to PFM that will have long-term impact. Work with the MoF is challenging due to resistance to reforms but there are possible routes to engage where there is demand for external support, including on: (1) development of a new Sales Tax law; (2) MoF plans to introduce a Treasury Single Account (TSA) at Rafidain and Rasheed banks; (3) assessment of the pros and cons of Special Economic Zones (SEZs) (particularly in relation to their fiscal implications), reflecting the Prime Minister's Office's key role in proposing the establishment of SEZs and the Development Road project; and (4) advice related to the fiscal implications of the ambition to increase the use of public-private partnerships (PPPs) and Special Purpose Vehicles (SPVs) to fund major infrastructure projects.</p>

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Expected ICED PFM support

<p>TA is expected to support: creating and implementing a compliance framework, operationalizing the IFD, recruiting a competent team, procuring back-office functions and enhancing communication strategies.</p>	<p>TA is expected to help strengthen economic governance and fiscal management by supporting progress on some of the following: the creation of a macro-fiscal department; the establishment of a debt management unit with an appropriate system; and analysis on options for subsidy rationalization and enhancing domestic revenue mobilization.</p>	<p>For GCT, TA will collaborate with other donor programmes such as HMRC (also funded by FCDO), GIZ, IMF, and the World Bank to create a consolidated reform roadmap. This roadmap will guide TA in enhancing internal governance and building capacity in specific areas alongside next steps on an Integrated Tax Administration System (ITAS). TA must align with a unified vision, which the implementing partner must actively promote between GCT and MoF.</p> <p>The TA provided for the GAC will concentrate on adding value in specialised areas and filling gaps in the current donor programmes of GIZ and IMF. This could include updating organisational procedures, helping with changes to customs fee legislation, and improving GAC's ability to assess customs value, and manage risk.</p>	<p>Technical assistance will enhance the Central Bank of Iraq's (CBI) debt and reserve management. Initial efforts will focus on areas where CBI shows demand, and reforms are politically and locally feasible, contributing to ICED PFM's goals.</p> <p>This could include a debt management capability assessment. This would involve meetings with CBI to assess what debt management capability and what the gaps are, and assessment of available resources (training courses, what is offered by international donors and organisations e.g. World Bank, IMF).</p> <p>A learning and development workplan will also be developed to establish a sustainable training program that is embedded within the organisation.</p> <p>There could also be broader engagement with CBI to improve financial systems if there is evidence for sufficient demand. This could involve expert support for the Financial Intelligence Unit (FIU) to amend the AML/CTF law, align with FATF standards, and integrate FIU training into the General Commission of Taxes (GCT) reform strategy.</p>	<p>The reforms that will be supported should be politically viable, locally appropriate, and likely to make a significant contribution to the outcome-level objectives of ICED PFM. The support is expected to target some of the entry points outlined above including for example support on Sales Tax Law drafting and TA to the Prime Minister's Economic Adviser to support the examination of the potential advantages/disadvantages of SEZs (including their likely fiscal impact) as well as their feasibility in Iraq.</p> <p>Support to the MoF, if sufficient access and support can be secured through the PMO, could focus on establishing a unit for macro-economic PFM analysis and performance development. Further support to the MoF could involve advice related to the introduction of a Treasury Single Account.</p>
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Official

Issue	1. Support the start-up of the Iraq Fund for Development	2. Strengthen the Kurdistan Regional Government's fiscal management	3. Improve Revenue Administration	4. Strengthen the Central Bank's role in Iraq's financial system	5. Strengthen the role of the Prime Minister's Office and Ministry of Finance in Public Financial Management
Expected Outcome	<p>This support aims to ensure the IFD operates efficiently, attracts investments, and complies with governance standards.</p> <p>Key steps are approval of governance documents, securing a Central Bank account, and executing a media campaign.</p>	<p>Improved public spending efficiency.</p> <p>Opportunities for digital transformation, climate finance, and green investments are leveraged.</p> <p>KRI has a more resilient, diversified economy, with a better supported private sector.</p>	<p>GCT makes progress in implementing TADAT recommendations and has agreed a consolidated reform strategy.</p> <p>Improved revenue collection by the GCT GAC.</p>	<p>CBI manages its reserves and debt in a more sustainable way.</p> <p>FIU improves its coordination with revenue authorities, leading to better prevention of revenue leakage.</p>	<p>The PMO and/or Ministry of Finance is better equipped to lead PFM related reforms.</p>

11. Exit phase requirements

The exit phase is expected to comprise the final month of the Supplier's contract. Implementation may continue during the Exit Phase, but the Supplier will be required to close activities sensitively during this period and prior to the Contract End Date.

During the exit phase the Supplier will work with the MA and BEB Programme Team to implement an approved exit plan for the programme. Key expected responsibilities during the exit phase may include the following:

- Continuation of any implementation phase activities;
- Produce and implement handover plan for all programme materials/documents either to counterparts, a successor programme or to the MA;
- Prepare an asset management disposal plan;
- Cooperate with MA MERL Team on production of the final lessons learnt report; and
- Cooperate with MA to produce end of intervention report

12. Team requirements

Suppliers will be required to field a small core team. The core team will need to include individuals with strong communication and interpersonal skills, relevant experience and some individuals who speak fluent Arabic. We encourage Suppliers to propose a core team structure that is appropriate to the scale and requirements of the programme and that will provide Value for Money. It will need the flexibility to scale up and down rapidly, if required.

The core team is expected to include:

Role	Responsibilities	Requirements
Project Director	A senior staff member with ultimate accountability for the performance of the Supplier on the contract.	An appropriately senior and experienced employee of the Supplier's organisation. Expected to be part-time.
Project Management Unit	The Supplier should ensure the team is resourced to ensure effective financial management, human resource management (recruitment, contracting, mobilization and HR support for team members), programme risk management, client relationship management and quality assurance of deliverables.	Strong project management and financial management experience.
Team Leadership	Lead the delivery team, ensuring overall responsibility for technical delivery; engage with the BEB programme team, acting as the primary point of contact; Maintain and cultivate key relationships with senior counterparts; Manage daily interactions with mid-level and junior counterparts; Identify and leverage opportunities to build political access and influence within the Federal Government of Iraq to support intervention objectives; Provide technical support for priority projects; Conduct stakeholder mapping.	In-depth understanding of Public Financial Management (PFM) and revenue reform issues; strong relationship management skills; leadership experience, particularly in long-term technical assistance programmes; demonstrated experience working on PFM and revenue reform issues in Iraq; established relationships with key actors in the Federal Government of Iraq (FED); comprehensive understanding of Iraq's political economy; experience in stakeholder mapping and management.

	The Supplier is free to propose a leadership structure (e.g. team leader only, combination of team leader and deputy team leader, etc.) that they assess will maximise the effectiveness of the team and provide value for money.	
Quality and Results Unit	The core team will need to be able to access expertise required to inform decision making and to support the design and oversight of interventions (e.g. in relation to Conflict sensitivity, GESI, and MEL)	Strong understanding of relevant good-practice and methodologies); understanding of the Iraqi context .
Gol and KRG Coordinators	Maintain contact with key Iraqi Government/ KRG stakeholders, keep the team informed on political developments, gather information, facilitate meetings, coordinate deployments, support logistical arrangements, maximize outreach, contribute to reports, and participate in risk discussions.	The ideal candidates should possess strong communication and networking skills, experience in stakeholder engagement, knowledge of Iraqi political landscape, logistical coordination abilities, and a background in risk management and reporting.

The above should not be read as prescriptive and suppliers should ensure their proposals for team structure are focused on maximising effectiveness and value for money.

In addition to the above positions, the core team will need to be able to field and draw upon high quality consultants with relevant experience and expertise to fulfil the requirements of both short-duration and long-duration TA missions related to a broad range of PFM and revenue reform issues. The Supplier will be expected to have access to an expert pool (or database of experts) comprising high-quality national, regional and international consultants with technical and geographic experience relevant to the work of ICED PFM and/or to a network of partners available to provide such consultants.

Bidders will need to demonstrate in their proposals that they have the ability to mobilise suitable experts to deliver TA in relation to the FY2024/25 workstreams set out above.

13. Gender Equality and Social Inclusion (GESI)

The Supplier will need to implement ICED PFM in a way that accords with the FCDO's commitment to achieve GESI objectives, including ensuring compliance with the UK's International Development (Gender Equality) Act 2014.

The Supplier should seek to maximise the benefits of ICED PFM for women, youth, and the most vulnerable and marginalized people. This should include ensuring that the specific needs of women and girls, of people with disabilities and of people from other vulnerable groups are considered in the design and delivery of the programme. GESI should not be treated as a discrete component, instead GESI issues should be mainstreamed across the project.

The ICED PFM inception phase should consider the interaction between revenue and PFM systems in Iraq and GESI outcomes, with the aim of ensuring that the design of the programme responds appropriately to those dynamics in order to support achievement of the FCDO's GESI objectives. This analysis will need to be revisited regularly during the implementation phase. GESI analysis will be expected to inform the Supplier's choice, design and approach to delivering TA throughout implementation.

GESI performance will be continually assessed throughout implementation through reporting and monitoring. The Supplier will be expected to work closely with the MA's MERL team to ensure that the GESI impact of ICED PFM can be monitored and evaluated rigorously.

14. Political Economy and Conflict Analysis (PECA)

The political economy context in which ICED will operate is complex and challenging. There is a major risk that progress on even the most essential reforms may be derailed by political, institutional and personal rivalries and vested interests. For the project to be an effective catalyst and support for positive change, the ICED team will need to understand both how the politics in Iraq influence scope for reform and the key stakeholder institutions for the project. It will be essential that the project staff think politically, and use PECA to inform its overall approach and everyday decision making, including in relation to the phasing of TA missions.

The Supplier should adopt a robust approach to conflict sensitivity throughout delivery of ICED PFM. The Supplier will be expected to adopt 'do no harm' principles, but also to go further by maximising opportunities for positive effects on conflict prevention and peacebuilding (e.g. through supporting good governance). The supplier will need to ensure that:

- The team includes appropriate expertise in relation to PECA and individuals with a deep understanding of the political and institutional dynamics of PFM reform in Iraq;
- Insights into the political economy gained by all members of the delivery team in the conduct of their work are harvested and used to inform programme decision making and reporting; and
- The selection and design of TA activity is informed by a systematic assessment of relevant political economy factors – in order to ensure that only politically feasible reforms are supported and that, once selected, TA support is designed and conducted in a fashion that both maximizes chances of success given the political economy context and maximizes the project's contribution to building the social contract.

15. Monitoring, Evaluation, Reporting and Learning (MERL)

Theory of change

A draft theory of change statement for ICED PFM is set out in the box below. This remains provisional and is based on a number of assumptions, including that:

- The security situation in Iraq does not change dramatically to a point where ICED PFM is unable to deploy advisors in-country;
- The economic, political and security situation in Iraq remains sufficiently stable that opportunities for PFM and revenue reform will arise during the lifetime of the programme; and
- The GoI's capacity and will to implement reforms is not significantly reduced.

Theory of Change statement

ICED PFM will work to build on existing demand for reform through engagement with key GoI officials. The project will use insights from regularly updated PECA to identify opportunities for impactful TA support to the Ministry of Finance and other relevant GoI and KRG institutions. They will be agreed and actively managed to adapt and evolve in response to changes in the operating environment and reform context in Iraq.

Assuming that the demand for change exists within the relevant counterpart MDAs, that there is both the capacity and the appetite to engage with FCDO support provided through the TA project, and that the project focuses on activity that is in line with the delivery principles outlined in this ToR, these activities are expected to contribute to:

- Strengthened capacity of counterparts to manage revenue mobilization and public finances effectively and equitably;

- Strengthened systems to deliver effective and equitable revenue mobilisation and PFM; and
- Improved and better implemented policies and procedures governing PFM and revenue mobilization.

Strengthened capacity means that the counterpart staff have the skills and abilities to do their jobs. Strong systems are appropriately structured and resourced, use efficient and effective tools, processes and models. Those systems are guided and governed by policies and procedures that are aligned with effective and equitable tax and PFM, taking into account the priorities of different groups, particularly those most in need.

If the objectives are delivered this will contribute to improved economic governance and public financial management, in the form of:

- Strengthened systems and capacities for public financial management and tax; and
- Strengthened systems processes and capacities for transparency, accountability and inclusion.

This in turn is expected to contribute at impact level to increasing the sustainability and effectiveness of Iraq's economic structures, thus supporting the development of a stable, strong and resilient Iraqi economy and a strengthened, independent and accountable Iraqi state.

MERL approach

In line with the PFRC programme-level terms of reference, the PFRC MA's MERL team will have overarching responsibility for monitoring, evaluation and learning of the ICED PFM contract. The Supplier, however, will be required to cooperate closely with the MA's MERL team in order to facilitate this, and will retain specific MERL responsibilities. This is set out in outline below, and will be covered in greater detail in the MERL Plan to be developed by the PFRC MA MERL Team during the inception phase.

MERL system design. The PFRC MA will be responsible for establishing adequate and comprehensive MERL arrangements for and on behalf of the FCDO for the ICED PFM programme. To do this, the PFRC Core Team MERL Advisor will be closely involved in the inception phase so that appropriate MERL systems are built into ICED PFM systems and reporting arrangements from the outset.

Specifically, the PFRC MA MERL Team will lead the finalization and periodic updating of the ICED PFM theory of change, logical framework and MERL Plan. The Supplier will be required to cooperate with the MERL Team to enable this, including ensuring timely access to relevant documentation, facilitating MERL Team meetings with counterparts as required, and – most importantly – engaging in constructive dialogue with the MERL Team, including providing inputs and feedback as appropriate throughout the process.

The Supplier should expect to operate in line with a flexible results framework on ICED PFM, which will be reviewed regularly to ensure that it is able to evolve in line with the nature of the support being provided and in response to the evolving circumstances and opportunities. This logical framework will utilize – where practicable – indicators drawn from the PFRC indicator menu already developed by the PFRC MERL lead, in order to enable effective nesting of the results framework within the broader PFRC results framework (however, this will not be mandated where it would be at the expense of relevance).

Progress Monitoring. The Supplier will have primary responsibility for the collection of the data and evidence required to monitor ICED PFM's output and outcome level progress. This will be conducted in line with the MERL Plan produced by the MA's MERL Team.

The MA's MERL Team will hold the Supplier to account for the above and will conduct additional verification and monitoring activity as appropriate, in line with the MERL Plan and any direction from the ICED PFM SRO.

Reporting. The Supplier will be responsible for producing regular progress reports. Progress reports will be reviewed by both the PFRC MA contract management team for ICED PFM and by the BEB programme team.

We anticipate the need for:

- **Monthly progress dashboard:** This should be provided for the preceding month by the end of the fifth working day of the month. The format will be confirmed during inception but is expected to involve a light touch update on progress (including activity starts/ ends and changes), political economy developments and any emerging risks and issues;
- **Monthly risk register update:** An updated version of the risk register (and accompanying change log) should be submitted by the end of the fifth working day of the month.
- **Quarterly Progress Report:** This formal report should be provided by the end of the tenth working day of the first month of the following quarter. The exact format will be confirmed during inception, but it is expected that this will include a more detailed update on progress against the work plan, reflections on progress and challenges, and an update on the political economy context;
- **Value for Money reporting:** See Section 16; and
- **Financial reporting:** See Section 18.

Progress meetings. The Supplier will be required to attend regular progress meetings with the ICED PFM SRO, the PFRC MA's Contract Responsible Officer for ICED PFM (and other members of the BEB programme team and PFRC MA contract management team as appropriate). It is anticipated that these meetings will be held fortnightly throughout implementation, with attendance on a hybrid basis (in-person where feasible, online otherwise). These meetings should be attended routinely by the Supplier's Team Leader and relevant members of the Supplier's PMU.

The Supplier will need to make sure relevant personnel can be available for additional ad hoc meetings with the BEB programme team as required, including at short notice.

Evaluation. The MA will have primary responsibility for evaluative activity related to ICED PFM. This will include conducting any in-depth evaluative work required (e.g. mid-term evaluations, final evaluations, deep dive evaluations into the project's work in particular areas) in line with the ICED PFM MERL Plan and direction from the ICED PFM SRO. The Supplier will be expected to contribute to such reviews.

The BEB will conduct annual reviews of ICED PFM. The Supplier will be expected to provide inputs to this process and to cooperate fully with it.

Learning. In such a dynamic context, and with a flexible and responsive programme, strong systems will need to be put in place to reflect on progress, the approaches that are working well and those that need action, and capture programmatic decisions made with the rationale for each. Furthermore, regular opportunities for reflection should be put in place to enable Supplier staff and consultants to share their experiences and take a more strategic view of progress, challenges and opportunities. This should include debriefing with consultants on short-term assignments, as well as counterpart feedback. The MA will support this learning and work with the Supplier to detail the approach in the inception phase.

The Supplier shall take appropriate measures to enable effective knowledge management. All programme documentation, deliverables and outputs must be stored securely and in a manner that makes them easily accessible by the BEB programme team and PFRC MA contract management team.

16. Value for Money and Social Value

Suppliers will need to ensure that Value for Money is considered in all aspects of their delivery of ICED PFM. The ICED PFM programme will be expected to utilise a Value for Money (VfM) approach that can be nested within the broader PFRC VfM Framework, which in turn is based around the FCDO's guidance note on VfM for Service Providers¹ (FCDO, 2020) and the 5 Es model. The Supplier will need to deliver ICED PFM in a manner that drives value for money in relation to:

¹ Smart Guide: DFID's Approach to Value for Money, Guidance for External Partners, 2020.

- **Economy.** Controlling costs, including through effective fee rate negotiations during recruitments, a rigorous approach to conducting any procurement required through systematic procedures to control costs (e.g., in relation to flight and accommodation costs).
- **Efficiency.** Turning inputs into outputs effectively, including through deployment of high-quality consultants, an appropriate team mix and rigorous project management systems.
- **Effectiveness.** Achieving outcomes and demonstrating impact. Coherence of outputs, targeting the right beneficiaries, scaling up and sustainability of outcomes are all related to effectiveness.
- **Cost Effectiveness:** Achieving effectiveness at the lowest possible cost.
- **Equity.** Ensuring that inclusion is addressed in delivery and the benefits reach disadvantaged groups.

The Supplier will be required to submit a value for money report at the end of implementation with content reflecting direction provided by the PFRC MA. The Supplier will also be required to cooperate fully with the PFRC MA in relation to any reasonable requests it may make in order to enable it to fulfil its functions in relation to monitoring and evaluating the Supplier's VfM performance in delivering the ICED PFM contract.

PFRC aims to deliver social value through, inter alia, diversity and inclusion in its supply chain, in its own workforce and in the workforce of its supplier network. Bid evaluation criteria for each PFRC procurement will incorporate a social value element. The Supplier should design and operate the project in a manner which embraces PFRC's commitment to delivering social value and contributes to delivery against that commitment.

17. Risk management

The overall risk for ICED is currently assessed as **major**. This rating reflects the challenging and volatile security and political context in which the project is expected to operate.

The Supplier will have responsibility for managing risk appropriately on ICED PFM, working in close partnership with the MA's Contract Management Team for ICED PFM and the BEB Programme Team. The Supplier shall be proactive in identifying risks or threats to programme delivery and shall identify appropriate risk mitigation measures for identified risks. In the case of key risks that could have a material impact on the ability of ICED PFM to function and/or achieve its objectives, the Supplier will be expected to conduct detailed contingency planning.

The Supplier will be required to comply with the PFRC's risk management approach, including utilisation of a standard risk reporting template/system that enables nesting of project-level risks within the broader PFRC risk management framework.

The Supplier's responsibilities include developing and maintaining the ICED PFM risk register, which will need to follow a format specified by the MA (in order to ensure that it can be nested within the broader PFRC risk register). The register will encompass both risks and live issues. A complete risk register will need to be submitted during the inception phase and an updated risk register (and accompanying change log) will need to be submitted to the MA and BEB Programme Team on a monthly/quarterly basis. The Supplier will need to provide updates on emerging risks, changes to the assessed likelihood of previously identified risks and developing issues as part of regular progress meetings with the MA and BEB Programme Team. The Supplier will be responsible for timely escalation of risks, and will therefore also need to be ready to provide ad hoc oral and/or written reports on critical changes in risks where appropriate.

More detail on the Supplier's responsibilities in relation to certain key risk areas (duty of care; safeguarding; information security; cyber security; legal and compliance) are set out in the sub-sections that follow.

Duty of Care

The Supplier will be fully responsible for the Duty of Care of their delivery team. Specifically, but not exhaustively, the Supplier will be responsible for ensuring:

- The safety and well-being of their personnel and any parties sub-contracted by them in the course of delivering ICED;
- The provision of appropriate security arrangements and documentation required for in-country personnel;
- The provision of suitable security arrangements for their domestic and business property;
- That appropriate safety and security briefings are provided for all of their Personnel working under this contract prior to their deployment and at appropriate junctures thereafter;
- Appropriate insurance cover for their personnel and project assets;
- That all team personnel deployed to Iraq (or who will spend more than 5 days there in the course of their ICED PFM duties) have received appropriate SAFE and/or HEAT training from a reputable training provider within the past 12 months (and such training must be repeated on an annual basis, so that no personnel are deployed whose last SAFE and/or HEAT training occurred more than 12 months previously). The cost of such trainings should be budgeted for by the Supplier; and
- When partnering with local organisations the Supplier will be responsible for ensuring that they have an adequate Duty of Care framework in place.

If a Bidder is unwilling or unable to accept responsibility for Duty of Care as detailed above, their Tender will be viewed as non-compliant and excluded from further evaluation.

The Supplier will develop and maintain a Security Management Plan detailing all aspects of managing security threats associated with the provision of these services. The Supplier is responsible for ensuring that appropriate security arrangements are in place in advance of the deployment of the team in Iraq (which, as described above, will need to be conducted rapidly after contracting). A Security Management Plan will need be delivered to the MA Contract Management Team within 20 days of the signature of the project contract to articulate and formalise these arrangements. The Supplier will report progress towards the implementation of the Security Management Plan in its monthly meetings with the MA.

Safeguarding

In line with FCDO standards, the Supplier will be required to take the lead in incorporating robust environmental and social safeguards into their processes. This ensures that the intervention upholds the highest standards of safeguarding and protection, promoting sustainable development that respects the rights and well-being of all Iraqis.

To promote social and economic justice for the Iraqi people, project delivery must prioritise adherence to the FCDO's core principles of preventing harm. Project interventions must not perpetuate unequal power dynamics, reinforce social exclusion or predatory institutions, escalate conflict, pose human rights risks, or exacerbate issues like resource scarcity, climate change, and environmental damage.

These principles should encompass several key aspects:

- The Supplier should take proactive measures to prevent harm or abuse, prioritising the well-being of individuals and communities, including vulnerable groups such as women, persons with disabilities, children, and other marginalised populations;
- Project responses to safeguarding concerns should be balanced and proportionate to the level of risk and harm involved, ensuring interventions are neither excessive nor insufficient, especially when addressing the needs of marginalised and vulnerable populations;
- The Supplier should hold individuals and organisations accountable for their actions and decisions related to safeguarding, including timely reporting and appropriate responses to concerns, with special attention to protecting the rights of women, disabled people, and the well-being of vulnerable populations;
- Safeguarding concerns, particularly those involving vulnerable groups should be managed with confidentiality and privacy to the extent possible, while still ensuring that they are appropriately addressed, and that the safety of all individuals is upheld);

- The Supplier should strive to prevent the creation or worsening of resource scarcity while also reducing vulnerabilities to shocks and trends within communities; and
- The Supplier must acknowledge the importance of not displacing or weakening local capacity or imposing unnecessary financial burdens on partner governments.

Information security

This project will be run at OFFICIAL level. There are no extant requirements to receive or produce material at SECRET or above. However, there is a possibility that information generated by the programme could be considered highly sensitive. This will be discussed on a case-by-case basis with the FCDO to agree whether information be classified at above OFFICIAL level. The Supplier must ensure that it can appropriately manage and protect information at the required level in line with HMG policy, see [Government Security Classifications - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/security-classifications).

Cyber Security

ICED and its Supplier are likely to be the target of cyber-attack during the life of the project. The Supplier is required to report all successful and unsuccessful cyber-attacks on the Supplier in a timely manner.

The Supplier must ensure that every effort is made to provide the project with effective cyber security provision. All IT must have up-to-date encryption installed, and its make/type should be specified in the proposal.

The details on communication between the Supplier, the MA and the BEB Programme Team will be confirmed once the contract has been awarded. The Supplier will provide a method of secure electronic communication (e.g., email or file transfer) which will enable the Parties to share sensitive information securely. It may include an end-to-end encrypted email service or file transfer system. Files must also be password protected, as a minimum. The Supplier may be required to work with the MA's IT team to ensure the communication method can be accessed securely by the MA.

The Supplier will maintain valid Cyber Essentials Plus certification throughout the contract.

Cyber liability insurance is essential on this project, the supplier will need to demonstrate that they have adequate insurance and liability cover in the following areas:

- Financial Protection;
- Risk Transfer;
- Legal Compliance;
- Business Continuity;
- Reputation Management;
- Third-Party Liability;
- Cyber Extortion and Ransomware; and
- Cyber Forensics and Investigation.

Legal and compliance

The Supplier is required to comply with its legal obligations in relation to both UK law and the laws of the jurisdictions in which it operates in order to deliver the contract.

In particular, the Supplier must have, or must set out in its proposal a viable plan to establish, a platform and the licenses required to operate in Iraq by the proposed contract commencement date. We encourage organisations to begin the registration process as early as feasible to ensure this date is met.

Financing of terrorism

Terrorism is a serious threat and there is an increasing risk that FCDO resources could be diverted for use by terrorist organisations or for terrorist activity. The FCDO is responsible for protecting its funds from

diversion to these organisations. The FCDO, along with its partners, has to comply with domestic and international law.

The Terrorism Act 2000 enables proscription of certain terrorist groups and makes it illegal to provide material assistance and support to individuals or groups knowing or having reasonable cause to suspect it will or may be used for terrorist purposes. This includes fundraising, use and possession of money or other property and funding arrangements.

The FCDO takes its own responsibility for protecting its funds from diversion to a proscribed organisation seriously and expects its partners to do the same. In line with UK legislation, the MA is accountable to the FCDO for ensuring that it is not inadvertently funding or providing humanitarian goods to terrorist organisations through PFRC. The MA will hold the Supplier accountable for ensuring that this does not occur under ICED. The Supplier must therefore demonstrate an awareness and policies to ensure compliance with UK counter-terrorism legislation.

18. Financial management

The maximum budget for ICED PFM is £358,000 for the UK FY 2024/2025. The funding will be 100% ODA.

Depending on ODA priorities and funding for Iraq, and on performance of the Supplier, the Intervention may be extended into FY 2025/26 with a similar budget. The contract may be extended in duration or value by the MA providing such an extension is approved by the PFRC Decision Group. Any in-year changes to the annual budget will be agreed in writing with the Supplier and will be accompanied by an updated annual workplan, delivery schedule and payment schedule. Where funds allocated are not fully spent, any unspent budget will not be automatically transferred to the next financial year.

Budget

A detailed budget for the implementation phase will be agreed between the Supplier, MA Contract Management Team for ICED PFM and the BEB Programme Team during inception (covering the period to the end of March 2025).

The Supplier will submit a monthly forecast to the PFRC MA Contract Management Team by the fifth working day of the month in a format specified by the MA. The Supplier will be expected to ensure a high level of forecast accuracy and will be assessed against this on a monthly basis as part of the Tier 1 KPI assessment process.

The Supplier will be expected to adhere to guidance provided by the MA in relation to the invoicing process. This guidance will be shared once the contract has been awarded.

The Supplier shall provide annually a financial report for the project based on the UK financial year within one month of the end of the financial year. The MA shall commission an external audit of that financial report, which will then be submitted to the BEB Programme Team within three months of the end of the financial year. The Supplier will be required to cooperate fully with the external audit.

The MA's internal audit team will periodically conduct audits of the Supplier's delivery of ICED PFM focused on compliance with contractual and legal obligations and good practice management.

The Supplier is required to ensure the highest standards in relation to maintaining, controlling and reporting on any assets purchased with project funds, mitigating against theft, damage or loss. An asset management plan should be developed if assets exist and/or created within the delivery plan for ICED PFM. The BEB Programme Team will then determine how the assets are disposed of at the end of the programme as part of the closure activities. All assets will be disposed of in a way that represents best value for money with a clear record of decision making, including approval by the ICED PFM SRO and in accordance with relevant legislation on asset disposal.

Payment

Payments will be made on a quarterly basis and linked to timely delivery of milestones (e.g., quarterly reports), with a proportion of payments dependent on performance against the sub-contractor's KPIs. No payments will be made in advance of need.

The Supplier will be required to report and receive payment in GBP. Managing exchange risk fluctuations is entirely the responsibility of the Supplier. The provision of services will be paid in accordance with the provisions of the PFRC Subcontractor Terms and Conditions.

Payments will be made in arrears with payment triggers linked to a combination of output milestones and assessment of the Supplier's KPI performance. Payments may be partially or wholly delayed where output milestones are not met or where KPI performance falls below an acceptable level, and may be withheld altogether where there is a Critical Service Level Failure (see Annex 1).

Payment will be output-based:

- The Supplier's fees – not including the Supplier's gross margin on daily staff fees – will be invoiced on a monthly basis in arrears based on achievement of ICED PFM's Tier 1 KPIs (see Annex 1);
- The Supplier's gross margin on fees incurred in a given quarter will be retained and paid in arrears on the basis of a quarterly assessment of Tier 2 KPIs (see Annex 1). All daily rates must be based upon an eight-hour working day. It is prohibited for the Supplier to invoice for more than 8 hours of work per worker per day. The fees shall be paid in accordance with the rate card set out in the Commercial Pricing Schedule; and
- Reimbursement of actual expenses incurred by the Supplier in a given quarter will be paid in arrears based on achievement of quarterly output-payment milestones (for the avoidance of doubt, the Supplier may not make margin on expenses). For the inception phase output-payment milestones consist of the achievement of delivery to a high standard of the inception phase milestones identified in this ToR. For the implementation and exit phases, quarterly output-payment milestones will be confirmed on an annual basis subsequent to approval of the relevant annual work plan. The milestones and corresponding payment schedule will be initially agreed between the MA Contract Management Team and the Supplier, and subsequently submitted to the ICED PFM SRO for final approval.

The Supplier must notify the MA immediately if it becomes apparent that the cost of delivering core team functions for a given year will exceed the agreed budget or if the cost of delivering a TAV will exceed its agreed budget, and shall only proceed with and be paid for the relevant Services in excess of the agreed budget with the prior written consent of the MA.

The Supplier's invoices must always include an appropriate breakdown of the fees and/or expenses contributing to the invoice total. The precise nature and level of detail of this breakdown shall be agreed between the MA ICED PFM Contract Management Team and the Supplier.

At the request of the MA, the Supplier shall provide relevant supporting documentation including but not limited to all relevant timesheets, receipts (if applicable), a list of Services to which the invoice relates and a reference to the Contract and Commercial Pricing Schedule, as well as any other information as reasonably requested by the MA from time to time.

Annex 1: Key Performance Indicators (KPIs)

Tier 1 KPIs

Tier 1 KPIs will be assessed on a monthly basis.

KPI	Sub-criteria	Measured by	Weighting
Financial management	Forecasts submitted on time.	MA logs submission date.	20%
	Forecast variance at or below 5%.	Supplier states variance from forecast when submitting invoice (MA validates).	30%
Monthly Reporting	Reports submitted to schedule and are of a high quality.	MA logs submission date; MA assesses report quality and compliance with agreed requirements.	50%

Tier 2 KPIs

Tier 2 KPIs will be assessed on a quarterly basis.

KPI	Sub-criteria	Measured by	Weighting
Economy (Value for Money)	Robust cost control in line with contract.	MA assessment based on Supplier invoices and evidence submitted in quarterly reports.	20%
Quarterly Reporting	Reports submitted to schedule and are of a high quality.	MA logs submission date; MA assesses report quality and compliance with agreed requirements.	20%
Risk Management	Updated risk register submitted to schedule. Risks are quickly identified and are managed appropriately.	MA logs submission date; MA assessment based on review of risk register, reports, and discussions with Supplier and BEB programme team.	10%
Resourcing	Core team fully resourced, with an appropriate mix of high quality personnel. Timely identification and deployment of appropriate, high quality personnel for TAVs.	MA assessment based on Supplier reporting on any core team gaps and assessment of CVs proposed for new/short-term team member; assessment of core team performance based on reports, meetings, progress against the work plan, and feedback from counterparts and the BEB programme team.	20%
Timely and high quality technical delivery.	Technical deliverables and reports are submitted to schedule and are of a high quality.	MA logs submission dates; MA assessment of quality of deliverables; feedback from counterparts and BEB.	20%
Effective cooperation with PFRC MA	Working satisfactorily and collaboratively with: (1) PFRC MA contract management team; (2) PFRC MA MERL Team; and (3) ASI internal audit team.	Feedback from these teams.	10%

KPI scoring

KPI sub-criteria will be scored on a six-point scale, as follows:

Score	Definition	Impact on payment of at risk funds
6	Responsibilities met with performance at a very high standard	Full payment of portion at risk.
5	Responsibilities met with performance at a good standard	Full payment of portion at risk.
4	Responsibilities largely met, but with some minor issues or omissions.	80% of funds at risk paid.
3	Responsibilities partly met, but with significant issues or omissions.	50% of funds at risk paid.
2	Responsibilities largely not met, with very significant issues or omissions.	0% of funds at risk paid.
1	Responsibilities not met, serious under-performance.	0% of funds at risk paid.

Suppliers will never be scored below a 5 on a sub-criteria where they cannot reasonably be considered to bear some responsibility for under-performance in relation to that sub-criteria.

Funds at risk that are not paid will normally be held back and added to the funds at risk during the next assessment of that tier of KPIs. However, where a Critical Service Level Failure occurs the funds at risk may, at the discretion of the MA, not be paid at all. A Critical Service Level Failure will be considered to have occurred where the Supplier:

- Scores 1 against any KPI sub-criteria during a KPI assessment;
- Scores 2 against more than one sub-criteria during a KPI assessment;
- Scores 3 against the same sub-criteria on at least three occasions during the contract term, and there is no evidence of consistent improvement.

Annex 2: TAV approval process

This annex sets out the process to be followed to identify, screen and select new TAVs (i.e. those not already identified in detail in this ToR), including how TAVs will be packaged together through the work planning process.

Initial identification of potential TAVs. This could occur in a number of different ways – for example, a direct request from a counterpart institution or a suggestion from the BEB Programme Team. The Supplier shall maintain regular contact with the BEB to understand the context and potential needs to support ongoing and prospective assignments.

Logging of potential TAVs. Throughout delivery of the Intervention, the Supplier will need to maintain an ‘TAV pipeline’ spreadsheet. Whenever a potential TAV is identified it will be logged in an ‘TAV pipeline’ spreadsheet (created by the Supplier). Where the source is external to the BEB Programme Team (e.g., a counterpart) this must be done regardless of whether the potential TAV is considered appropriate by the team. This will enable the team to ensure that any requests from counterparts are tracked systematically – mitigating the risk of damaging relations with counterparts by failing to respond appropriately to requests for support.

BEB preliminary decision on whether to take forward TAVs. For urgent requests the Supplier should inform the BEB Programme Team at the earliest opportunity. More generally, the Supplier will be required to present pipeline updates to the BEB as part of regular progress meetings. At these meetings the Supplier will be expected to provide an initial recommendation and rationale for whether the potential TAV should be considered further (i.e., to confirm whether it is the kind of TAV that might plausibly be appropriate for the programme).

The Intervention SRO will decide on the basis of this assessment whether to task the Supplier to consider the potential TAV in more depth. Where it is decided that a potential TAV should not be approved, the Supplier will need to ensure that the decision is communicated appropriately to counterparts (this may be communicated by the BEB where judged appropriate).

Assessment against the TAV screening criteria. At the request of the BEB, the Supplier will be required to conduct further analysis to assess whether requests meet ICED PFM’s TAV selection criteria. These are:

- **Fits within the scope of PFCR.** Support provided through the project must fit within the technical scope of PFCR, which in practice means it must relate to PFM and revenue reform and avoid the restrictions set out in Section 5 of these terms of reference).
- **Local ownership.** TAVs will normally only be approved where there has been an explicit request for support from the relevant counterpart, and where a senior (director-level or above) GoI or KRG official is willing to act as the TAV Sponsor. In addition, TAVs should – wherever possible – be aligned with any relevant GoI and/or KRG strategies or high-level priorities.
- **Theory of Change alignment.** TAVs should be assessed to ensure that they are consistent with the project theory of change and will support ICED’s outcome level objectives.
- **Problem-focus.** TAVs should be focused on resolving specific, well-defined and meaningful problems affecting the performance of the GoI and/or KRG in fulfilling their mandates, rather than pursuing more abstract goals like ‘best practice’.
- **Context appropriate.** The Supplier should assess whether the TAV is politically feasible, in light of the political economy context. Consideration should be given to the level of commitment of the recipient and the attitudes of the stakeholders who will be critical to successful implementation. For larger TAVs an explicit stakeholder analysis may be appropriate. The Supplier should also consider whether the potential TAV is appropriate given factors like counterpart capacity, whether results are likely to be sustainable (e.g., whether recurrent cost implications can be met given the GoI’s and/or KRG’s fiscal position) and whether the TAV is expected to impact on conflict dynamics (including meeting the FCDO’s ‘do no harm’ requirement). TAVs should support the strengthening of the ‘social contract’.
- **Building capacity and avoiding capacity substitution.** TAVs that are expected to build sustainable capacity will be prioritized. Those that would involve long-term capacity substitution will be avoided where possible.

- **Coordination.** TAVs should be coherent with other activity being funded by the FCDO and with activity being funded by other donors. The Supplier should assess whether the TAV would risk duplication of effort in relation to support being provided by other programmes or donors. Activities will need to be coordinated with a range of stakeholders that include international organisations, in particular the World Bank, the IMF, and international donors such as GIZ, G7 nations, and the EU. This will include coordination through the 'Public Financial Management' Coordination Group which includes GIZ, the EU, the World Bank and other significant donors that are working in this space.
- **Risk assessment.** TAVs will only be approved if they fit within the BEB's risk appetite. The Supplier will be required to conduct a proportionate risk assessment. This should take into account reputational, fiduciary, safeguarding and duty of care risks.
- **Gender Equality and Social Inclusion.** At a minimum, TAVs should avoid harming the FCDO's GESI goals. TAVs will be prioritised that contribute to the achievement of GESI objectives. The Supplier should conduct a light-touch and proportionate assessment of the GESI impact of a potential TAV, including how it will impact all vulnerable groups and whether it could be designed to increase its positive impact on such groups. Consideration should be given to the impact on women and girls, disabled individuals, and the poorest in society. The analysis must acknowledge the potential religious dimension to inclusion and exclusion. The assessment should also assess whether the potential TAV is compatible with the FCDO's commitment to human rights, poverty reduction and addressing climate change. A key consideration in relation to revenue reform specifically should be ensuring that efforts to raise more revenue do not exacerbate poverty and social exclusion.
- **Value for Money and Social Value.** The Supplier will be required to assess whether the TAV would represent value for money. This should include consideration of whether there is sufficient budget available for the TAV, whether expected benefits are proportionate to the expected costs, whether the benefit is expected to be achieved in the lifetime of the programme or will take a longer period of time to be realised, and whether benefits achieved are likely to prove sustainable. The Supplier will also be required to specify how the TAV will contribute to the delivery Social Value.

This assessment should not be conducted in isolation by the BEB Programme Team, but should involve a dialogue with the relevant counterpart institution.

In-principle approval by the FCDO. The findings of this screening process will be submitted to the BEB with a recommendation. The BEB SRO will then decide whether to task the Supplier to develop the request for support into a costed proposal, including sourcing any expertise required to deliver the assignment. It will be the responsibility of the Supplier to identify in the proposal the most effective means of responding to requests for technical expertise. These proposals will be reviewed by the MA and the SRO will then make a final decision on whether to authorize the TAV.

Costed proposal. Where an in-principle approval is received the team will then communicate this to the counterpart institution's TAV Sponsor. The Supplier will then produce a costed proposal for the TAV. The costed proposals will utilize analysis conducted in the assessment against the TAV screening criteria. They should be short documents that cover:

- A short summary of what the TAV will involve.
- The **overarching intent for the TAV**, including how it links to the ICED theory of change and relevant Gol/KRG strategies and priorities;
- A **mini-PEA** (political economy analysis) for the TAV;
- An **TAV workplan**. This should set out when the TAV will start and be completed, timelines for achievement of key milestones – including any dependencies and sequencing considerations – and responsibilities for the personnel involved (from both the Programme Team and the counterpart institution);
- A **TAV budget**, providing a clear and satisfactory elemental breakdown of the budget for each activity delivered during the TAV;
- A **mini-MERL plan** for the TAV (produced with input from the MA's MERL team). This should include objectives for the TAV, indicators and targets for outputs and outcomes, a data collection plan (e.g., to establish the baseline situation and then to assess what changes as the TAV is conducted) and how progress will be tracked and reported; and

- A **mini-risk assessment** for the TAV. This should consider reputational, fiduciary and security risks, as well as any risks of unintended consequences from the TAV (e.g., exacerbating conflict risks, undermining other reform efforts, etc.);
- Considerations related to **sustainability**. This should set out how counterpart institution capacity will be built through the TAV, make explicit any long-term resourcing implications for the counterpart institution (e.g., ongoing budget and human resourcing implications of sustaining the change achieved through the TAV) and set out how the programme intends eventually to exit from work on this issue without undermining sustainability;

Final approval. The TAV plan will then be submitted to the BEB for final approval.

Development and modification of the ICED PFM work plan. Approved TAV will be included in the ICED PFM work plan.

The majority of activities conducted are expected to be included in the ICED PFM work plan, agreed in advance, covering the entirety of the relevant financial year. The first such work plan will be agreed by the end of the inception phase, and any subsequent iterations will be agreed during the final quarter covered by the preceding work plan. Once work plans are approved the MA will:

- In consultation with the Supplier, develop a draft update to the logframe targets to reflect any changes in the focus of work set out in the work plan, as well as changes in the operating context materially impacting on expected results. The draft revised logframe will be presented to the BEB SRO for approval;
- In consultation with the Supplier, identify technical deliverables that will trigger payment milestones. These will be presented to the BEB SRO for approval.

The Supplier will need to retain flexibility to respond to counterparts' demand for support where windows of opportunity for reform arise during a given intervention year. A portion of the budget allocated to a given year is expected to be kept initially in reserve to enable the programme to respond in this way. Where interventions are approved during the project year, this will be formalized by adding them into the work plan.